

The complaint

Miss S complains that Vanquis Bank Limited lent irresponsibly when it approved a credit card application she made and later increased her credit limit.

What happened

The background to this complaint and my initial conclusions were set out in my provisional decision. I said:

In August 2019, Miss S applied for a credit card with Vanquis. In the application, Miss S said she was employed with an income of £11,000 and had rent of £380 a month. Vanquis carried out a credit search and says it found Miss S owed around £100 to other lenders. A default that was around 30 months old was found and there was a current missed payment to a mobile phone provider noted.

Vanquis says it applied estimated living costs, Miss S' rent and her existing credit commitments to the income figure provided and found Miss S had around £165 available as disposable income each month. Vanquis approved Miss S' application and sent her a credit card with a £500 limit.

In July 2022 Vanquis increased the credit limit to £850.

Last year, Miss S complained that Vanquis had lent irresponsibly and it issued a final response. Vanquis didn't agree and advised it had carried out the necessary checks before approving the application and increasing the credit limit.

An investigator at this service looked at Miss S' complaint and upheld it. They thought the disposable income figure Miss S was left with was unreasonably low and noted she had a current missed payment on her credit file. The investigator said the information on Miss S' credit file should've caused concerns over affordability for the credit card and that she was unlikely to be able to sustainably afford further repayments.

Vanquis didn't agree, so Miss S' complaint has been passed to me to make a decision.

What I've provisionally decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Before agreeing to lend or increasing the credit limit, the rules say Vanquis had to complete reasonable and proportionate checks to ensure Miss S could afford to repay the debt in a sustainable way. These affordability checks needed to be focused on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:

- The amount of credit;*
- The total sum repayable and the size of regular repayments;*

- The duration of the agreement;
- The costs of the credit; and
- The consumer's individual circumstances.

That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate. Lenders may choose to verify a borrower's income or obtain a more detailed picture of their circumstances by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.

I'm sorry to disappoint Miss S but I've reached a different conclusion to the investigation and haven't been persuaded Vanquis lent irresponsibly. I'll explain why.

As noted above, lenders are required to complete reasonable and proportionate checks when considering whether to lend. Here, Vanquis has confirmed it took personal information from Miss S in her application, like her residential status and costs as well as details of her income and outgoings. Vanquis also carried out a credit search to see what she owed. I can see that the credit search identified a reasonably old default but also showed a current missed payment for a mobile phone provider.

In my view, the fact Miss S had a current missed payment on her credit file should've caused Vanquis to carefully consider her application. I think it would've been more appropriate for Vanquis to have sought to verify the information provided before proceeding. One option Vanquis had would've been to look at Miss S' bank statements for the months preceding her application, which is what I've done.

Miss S' bank statements appear to be well run with no evidence of financial difficulties. Miss S' received income appears to have been slightly higher than the declared figure in the application. In the three months before Miss S applied, she earned an average of around £990. In addition, there were benefits payments of at least £500 a month being paid to Miss S. I've also taken an average for Miss S' committed outgoings for direct debits which came to an average of around £350 a month. That means Miss S would've had roughly £1,100 each month to cover everyday spending (including food and transport) once her regular bills were paid.

In my view, Miss S' bank statements show she did have capacity to sustainably afford the repayments for a new credit card with Vanquis with a £500 limit. I'm satisfied it's more likely than not that if Vanquis had carried out a more comprehensive approach to Miss S' application it would've still approved it.

I've gone on to look at the credit limit increase to £850 in July 2022. By this point, the account had been running for nearly three years with no missed payments. Miss S' balance was maintained within the existing credit limit and there appear to have been no issues with the account. Vanquis carried out a credit search and looked at what Miss S owed. But given the circumstances of the original application, I think a review of Miss S' bank statements would've helped identify whether she was able to afford a credit limit increase.

Miss S has sent us bank statements covering the months before she applied. I calculated Miss M's average monthly income to be around £1,480 and her benefit income of at least £160. Miss S' outgoings for regular bills had increased to an average of around £640. That means Miss S had around £1,000 left to cover everyday spending (including food and transport) once her regular bills were covered.

I'm satisfied that Miss S did have sufficient income to sustainably afford repayments against a £850 credit limit for her Vanquis credit card.

I'm sorry to disappoint Miss S but, based on the information I've seen so far, I haven't been persuaded that Vanquis lent irresponsibly when it approved her credit card application and later increased the credit limit.

I invited both parties to respond with any additional information or comments they wanted me to consider before I made my final decision. Neither party responded.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

As neither party has provided new information for me to consider, I see no reason to change the conclusions I reached in my provisional decision. I still haven't been persuaded that Vanquis lent irresponsibly, for the same reasons.

My final decision

My decision is that I don't uphold Miss S' complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 1 July 2024.

Marco Manente

Ombudsman