

## **The complaint**

Mr W, through a representative, complains that Vanquis Bank Limited irresponsibly lent to him.

## **What happened**

Mr W applied for a credit card from Vanquis in June 2019. It gave him a £500 credit limit and increased this to £1,000 in December 2019; to £1,950 in July 2020; to £2,450 in December 2020; and to £2,750 in August 2021.

Mr W said Vanquis did no income checks or affordability assessments prior to giving him the card or increasing the limits. This has placed strain on his financial position.

Our investigator did not uphold Mr W's complaint. He said Vanquis' checks were proportionate and it made fair lending decisions based on the information it collected.

Mr W disagreed with this assessment. He said, in summary:

- The presence of historic defaults ought to have warned the lender there was a risk of financial instability.
- The discrepancy between the incorrect declared income of £270,000 and the more likely actual of £27,000 was so large more checks should have been done and it should have been clarified if it was net or gross. Also, he was in fact unemployed at the time of some of the limit increases.
- He suffers from multiple physical and mental health conditions that should have been taken into account.
- Using ONS data to estimate his expenses did not reflect his actual outgoings. A personalised and detailed affordability assessment would have provided a more accurate picture of his financial capacity.
- Good account management, with regular payments, doesn't necessarily mean financial stability. The lender's checks were inadequate given all the circumstances. He had other financial commitments that should have been taken into account.

The investigator responded to these points explaining why they did not change his assessment. So Mr W asked for an ombudsman's review.

## **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.

Vanquis will be familiar with all the rules, regulations and good industry practice we

consider when looking at a complaint about unaffordable and irresponsible lending. So, I don't consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

To decide if Vanquis lent responsibly I need to consider if its checks were proportionate; if not what would better checks most likely have shown; did it make fair lending decisions; and finally did it treat Mr W unfairly in some other way.

Vanquis has shared the results of the checks it carried out prior to approving Mr W's application and prior to increasing Mr W's limit. Each time it asked for his income and housing costs. It used national statistics to estimate his living costs. It completed credit checks with an external agency and for the limit increases it also reviewed how Mr W was managing his account. From these checks it concluded he could afford the card with its initial limit of £500, and the subsequent increases.

I think at each stage these checks were proportionate. And Vanquis made fair lending decisions. I'll explain why.

#### *Initial application*

As this was the start of the lending relationship and a low limit was offered, I think the checks were reasonable. I do think Vanquis should have contacted Mr W to clarify that he meant to declare an income of £27,000 (not £270,000) meaning he had a net monthly income of £1,825 – but this is not the same as saying I would have expected it to ask for payslips or bank statements to verify his income. I am satisfied he would have confirmed he meant £27,000 as when he was asked to provide his net monthly income prior to the first limit increase he said it was £1,800. I also think given the amount of credit involved it was proportionate to use national statistics to estimate his outgoings. Vanquis had asked about Mr W's housing costs which were £140 and it estimated his living costs to be £674. So the credit was affordable on a pounds and pence basis.

The credit check showed Mr W had no other active credit at the time. I note there was some adverse historic data but the most recent default was 26 months ago so I do not find that would have been a reason to decline his application given the results of the other checks. There were no clear indicators that Mr W might struggle to make his repayments sustainably. So I think Vanquis made a fair decision to open the account for Mr W with its £500 limit.

#### *Limit increases*

Mr W declared a net monthly income of £1,800 at the time of the first two increases and £2,100 at the time of the second two, each time confirming he was in full time employment. He provided his housing costs and again Vanquis used national statistics for his living costs. These affordability assessments showed he had ample disposable income to take on the repayments of the increased credit on each occasion.

Vanquis' refreshed credit checks each time showed Mr W still had no other active debts and there was no new adverse information on his file. There was nothing in the way Mr W was managing his account at any stage that I think ought to have led Vanquis to make different lending decisions - he was not over limit, or in arrears and frequently made more than the minimum payment.

So I can't fairly conclude Vanquis was wrong to increase Mr W's limit at any stage.

I know he feels a more detailed financial review was needed. But based on the amount of

credit and the results of all the initial checks I don't agree that Vanquis needed to do more.

It follows I don't think Vanquis was wrong to lend to Mr W.

*Did Vanquis treat Mr W unfairly in some other way?*

Mr W said Vanquis failed to consider his vulnerabilities, but I have seen no evidence that Vanquis had been made aware of his difficulties at the time of its lending decisions. I expect it to explore what reasonable adjustments it might need to make for Mr W now that it is aware.

I've also considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Vanquis lent irresponsibly to Mr W or otherwise treated him unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

### **My final decision**

I am not upholding Mr W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 18 July 2024.

Rebecca Connelley  
**Ombudsman**