

The complaint

Ms J complains that Vanquis Bank Limited (Vanquis) lent to her irresponsibly.

What happened

In July 2016, Ms J applied for a credit card from Vanquis. It was agreed and the firm then increased Ms J's credit limit as shown:

Date	Limit
July 2016	£500 (new account)
November 2017	£1,500
April 2018	£2,250
June 2019	£3,000

The account was defaulted in May 2024 with a balance of £2,966.

Ms J complained that Vanquis shouldn't have lent to her and couldn't have completed the necessary checks. She said she couldn't afford the borrowing. She said she had missed payments to her mobile provider, had a default against her name, had two other credit cards up to their limits, and had rent and council tax arrears. She said she had other debts of £15,000. She said she's now a single mother with a limited income and can't afford the debt.

Ms J says Vanquis should refund the interest and fees she's paid and add 8% per annum interest to the refunds. The late payment and default markers on her credit file should be removed.

Vanquis said they'd carried out proportionate checks and didn't uphold Ms J's complaint.

The firm said:

Issue of card – July 2016: Ms J said she had annual income of £15,600 at the time of the application. Vanquis could see she had only £100 of other debts and no defaults or CCJs.

Limit increase - November 2017: they carried out further checks when offering the limit increase. There were no new CCJs or defaults. Total other borrowing was only £660, so the limit increase was approved.

Limit increase - April 2018: Vanquis said they carried out further checks. There were no new CCJs or defaults, and other debt was £569, so the limit increase was approved.

Limit increase - June 2019: Vanquis said they checked again and could see other debts had increased to £6,184. But there weren't any new CCJs or defaults and they agreed to

increase the limit again.

Vanquis said the limit increases were offered to Ms J, and she could've rejected the offers by calling Vanquis, but didn't. She was also asked to advise Vanquis if she was in possession of information unknown – but she didn't call the firm.

Ms J brought her complaint to us. Even though some of the events complained about were more than six years before, Vanquis gave permission for us to investigate them.

Our investigator didn't uphold Ms J's complaint. He said the checks carried out by Vanquis were reasonable and proportionate. He established that the income shown in Vanquis' final response was wrong – as Ms J had declared household income of £30,000 in the original application for the card in July 2016.

He looked at Ms J's bank statements and said he was comfortable that these showed she could afford the borrowing – given her income and expenditure.

Ms J didn't agree and asked that an ombudsman look at her complaint, and so it has come to me to do that.

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.

I was sorry to learn of Ms J's circumstances and the situation that she now finds herself in. My role is to look at the checks Vanquis carried out at the time of the limit increases and see if they were proportionate and reasonable.

All lenders have an obligation to lend money responsibly. We must check whether Vanquis acted in line within the Financial Conduct Authority (FCA) rules on creditworthiness assessment as set out in its handbook, (CONC) section 5.2. These say that a firm must undertake a reasonable assessment of creditworthiness, considering both the risk to it of the customer not making the repayments, as well as the risk to the customer of not being able to make repayments. We look at:

- Whether the lender completed reasonable and proportionate checks to satisfy itself that the borrower would be able to repay any credit in a sustainable way?
- If reasonable and proportionate checks were completed, did the lender make a fair lending decision bearing in mind the information gathered and what the lender knew about the borrower's circumstances?
- And a reasonable and proportionate check would usually need to be *more* thorough:
 - the lower a customer's income, and the higher amount to be repaid.
 - the greater the number of loans and frequency of loans.
 - the longer the term of the loans

It's important to note that the checks must be proportionate to the amount being lent – so the higher the amount, the greater the checks must be, and the lower the amount, then fewer checks can be made.

It's important to note that Vanquis do not have to look at Ms J's bank statements or carry out an income and expenditure check – unless the firm's checks show there are issues that need to be investigated further.

In particular, I looked at Ms J's credit records that Vanquis saw – including her other debts (to see if she was borrowing a lot more) and any defaults and CCJs (which would show she was struggling to pay her way).

I can only look into the checks that Vanquis made at the time of the increases – I can't reasonably expect Vanquis to be able to anticipate what Ms J's circumstances might be later on.

Issue of card – July 2016:

I can see:

- Ms J declared she had annual household income of £30,000.
- Vanquis could see Ms J had other debts of £700; and there were three defaults on her credit file - the most recent was 23 months before.
- I consider that as against the declared income of £30,000, Ms J's other debts were low and as the defaults were almost two years previously, I think it was reasonable for Vanquis to issue the card – especially as the limit was relatively low.

And so, Vanquis did complete the necessary and proportionate checks.

Limit increase - November 2017:

I can see:

- Vanquis checked Ms J's situation again.
- Ms J had other debts of around £600 – which was still low by comparison to the proposed limit.
- There were still the same three defaults showing, but these were then 34 months old.
- There were some arrears showing on debts of £330. But these were also quite old – 13 months previously.

And so, I'm satisfied that Vanquis completed the necessary and proportionate checks.

(continued)

Limit increase - April 2018:

I can see:

- Vanquis checked Ms J's situation and circumstances again.
- Ms J had other debts of £569 – and this was low in comparison with the proposed new limit.

- The three defaults were the same – and were now older at 40 months old.
- The arrears position was the same and was now 18 months old.

And so, I'm satisfied that Vanquis completed the necessary and proportionate checks.

Limit increase - June 2019:

I can see:

- Vanquis checked Ms J's situation again.
- Ms J then had other debts of £6,184 – as she had taken out a bank loan of £6,000. This was a large increase.
- But equally, Vanquis could also see that there were no new defaults or CCJs – and the old defaults recorded were now 54 months old.
- Vanquis could see that Ms J's income was then £1,600 per month. And against her other commitments, she appeared able to make the payments to the bank loan and other debts. And in comparison to a salary of approximately £20,000 (net of tax), Ms J's overall debts didn't seem out of line with her income.

And so, I'm satisfied that Vanquis completed the necessary and proportionate checks here.

Ms J's account with Vanquis:

Vanquis also looked at Ms J's account and how she'd run it. I can see she borrowed up to limits often. But equally, she made all the monthly payments needed during the period in question. So – the firm could see she was paying her way and was able to deal with the Vanquis borrowing.

I also looked at Ms J's credit file – and she was making all the necessary payments to the firms she borrowed from during the time of the limit increases agreed by Vanquis.

I could see there was one 'arrangement to pay' (for £453) in August 2018; and a utility firm was two months in arrears in April 2018. But when considered against her other credit records and the checks Vanquis carried out, I don't consider these should've been causes of concern to Vanquis, or mean the firm needed to ask more questions of Ms J.

I can also see from Ms J's credit file that it was later – in May 2021 – when she took on more debt. At that time, her other debts increased a lot – to over £13,000. So it appears to me that it was after Vanquis increased her limits that she ran into more difficulty.

In all fairness, I can't hold Vanquis responsible for something that happened almost two years later – I can only see what checks Vanquis did at the time of the increases in limit, and what Ms J's circumstances then were.

In summary, I'm satisfied that Vanquis carried out the proportionate checks they were required to at the time of the issue of the card and the limit increases. I was sorry to learn of Ms J's more recent circumstances, but on the balance of evidence I've seen, I am not asking Vanquis to do anything here.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms J to accept or reject my decision before 4 September 2024.

Martin Lord
Ombudsman