

Complaint

Miss B has complained about a credit card Vanquis Bank Limited ("Vanquis") provided to her. She says credit card as well as the limit increases were irresponsibly provided.

Background

Vanquis provided Miss B with a credit card with an initial limit of £500 in May 2015. Miss B was then offered a credit limit increase to £1,250.00, for her account, in April 2016 and then a final limit increase to £2,250.00 in September 2017.

One of our investigators reviewed what Miss B and Vanquis had told us. And she thought Vanquis hadn't done anything wrong or treated Miss B unfairly in relation to providing the credit card or increasing the credit limit. So she didn't recommend that Miss B's complaint be upheld.

Miss B disagreed and asked for an ombudsman to look at the complaint.

My findings

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

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Miss B's complaint.

Having carefully considered everything, I've decided not to uphold Miss B's complaint. I'll explain why in a little more detail.

Vanquis needed to make sure it didn't lend irresponsibly. In practice, what this means is Vanquis needed to carry out proportionate checks to be able to understand whether Miss B could afford to repay any credit it provided.

Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

Vanquis says it will have agreed to Miss B's initial application after it obtained information on her income and carried out a credit search. And in its view the information obtained would have indicated that Miss B would be able to make the low monthly repayments due for this credit card. Due to Miss B's account being relatively well managed she was then offered her credit limit increases.

On the other hand Miss B says that she shouldn't have been lent to.

I've considered what the parties have said.

What's important to note is that Miss B was provided with a revolving credit facility rather than a loan. This means that to start with Vanquis was required to understand whether a credit limit of £500 could be repaid within a reasonable period of time, rather than all in one go. And a credit limit of £500 required relatively small monthly payments in order to clear the full amount owed within a reasonable period of time.

Vanquis' credit check did indicate that Miss B had had previous difficulties with credit in the form of a default. But it's fair to say that this was historic given it was around five years prior to her application for this card. Furthermore, Miss B didn't have too many in the way of recent active credit at that time either.

So, in these circumstances, I don't think that it was unreasonable for Vanquis to rely on what Miss B said about her income and what had in relation to her expenditure, particularly in light of the low monthly repayments that would be required to repay £500 within a reasonable period of time.

As this is the case, I'm satisfied that the checks carried out before Miss B was initially provided with her credit card were reasonable and proportionate and Vanquis didn't act unfairly when opening Miss B's account.

For the credit limit increases, it appears as though Vanquis relied on Miss B's account having been managed well since it had been opened.

In the first instance I should make it clear that it isn't immediately apparent to me how it is automatically the case that a borrower can afford a higher amount of credit simply because they might not have defaulted on a lower amount. It seems to me that this logic would suggest that credit limit increases should continue to be granted until after a customer has struggled to make repayments – even though the regulations require a lender to carry out reasonable enquiries to ensure that this doesn't happen.

In any event, Miss B's credit limit was being increased to £1,250.00 and £2,250.00. So I would have expected Vanquis to have found out more about Miss B's income and expenditure (particularly about her regular living expenses) before providing this credit limit increase.

As Vanquis has been unable to evidence having done this for either of these increases, I don't think that the checks it carried out before it increased Miss B's credit limit in April 2016 and September 2017 were reasonable and proportionate.

Ordinarily, where a firm failed to carry out reasonable and proportionate checks before providing credit or increasing the amount available to a customer, I'd usually go on to recreate reasonable and proportionate checks in order to get an indication of what such checks would more likely than not have shown.

However, Miss B says she is unable to provide us with all of the information we've asked her for in order to be able to assess what her circumstances were like at the time she was provided with these limit increases. The savings account provided doesn't provide me with any indication of Miss B's living expenses or show me that they would have meant the credit limit increases unaffordable for her. And without this information I'm unable to ascertain whether proportionate checks would have prevented Vanquis from lending to her.

Furthermore, Vanquis' credit checks didn't show that Miss B's other credit commitments were increasing exponentially, and she didn't appear to have any significant adverse information recorded against her either – there were no new defaulted accounts or county court judgements recorded. So I don't think that Vanquis increased Miss B's credit limit in circumstances where it ought reasonably to have realised that it was doing so in a way that was unsustainable or otherwise harmful for her.

Overall and having carefully considered everything, I've not been persuaded that proportionate checks would have shown that Vanquis that it shouldn't have provided this card, or any of the subsequent credit limit increases to Miss B.

In reaching this conclusion I've also considered whether the lending relationship between Vanquis and Miss B might have been unfair to Miss B under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I've not been persuaded that Vanquis irresponsibly lent to Miss B or otherwise treated her unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here. So I'm not upholding this complaint.

I appreciate this will be very disappointing for Miss B. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Miss B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 23 August 2024.

Jeshen Narayanan
Ombudsman