

The complaint

Mrs W complains that Vanquis Bank Limited was irresponsible to lend to her.

What happened

Mrs W was approved for a credit card with Vanquis in April 2014. This was followed by three credit limit increases as follows:

	<u>Date</u>	<u>Credit Limit</u>
Initial Limit	8 Apr 2014	£250
First Increase	5 Jan 2015	£1,000
Second Increase	8 Jun 2015	£1,750
Third Increase	10 Jun 2016	£2,250

Mrs W says Vanquis didn't carry out appropriate checks before agreeing to the lending, and she already had other credit commitments. She says she was struggling to pay essential bills and had to take out further lending to make the repayments.

Vanquis says that, based on all the evidence, it found nothing to suggest the initial lending or credit limit increases were unaffordable.

Our investigator didn't recommend the complaint should be upheld. She was satisfied that Vanquis carried out proportionate checks for the initial lending and those checks indicated the lending was likely to be affordable to Mrs W. Our investigator considered Vanquis should have carried out better checks for the credit limit increases, but found that, had it done so, it was likely to have found the credit limit increases were also sustainably affordable.

Mrs W responded to say, in summary, that she had to get a loan to repay her Vanquis credit card as minimum repayments weren't sufficient to repay the debt given the high interest rate.

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 need to take into account the relevant rules, guidance and good industry practice.

Bearing this in mind, in coming to a decision on Mrs W's case, I've considered the following:

- Did Vanquis complete reasonable and proportionate checks when assessing Mrs W's application and credit limits to satisfy itself that she would be able to repay the credit in a sustainable way?

- If not, what would reasonable and proportionate checks have shown?
- Did Vanquis make fair lending decisions?
- Did Vanquis act unfairly or unreasonably in some other way?

Account Opening

When Mrs W applied for the Vanquis card, I've seen evidence to show Vanquis checked her credit file and asked her about her income. These checks showed:

- A declared income of £16,000 per year;
- Two active credit accounts:
 - A balance of £7,032 on a car finance account, for which Mrs W was repaying £205 per month;
 - A mail order account with a balance of £1,037 and a credit limit of £1,290;
- Eight defaulted accounts with a current total balance of £6,278:
 - The most recent default was in September 2012 – 19 months earlier;
- No County Court Judgements, arrears or short-term lending.

As Mrs W's credit card was approved with a modest limit of £250, I don't find Vanquis acted irresponsibly by doing so because:

- Mrs W had sufficient income to sustainably afford the new credit card;
- Both her active credit accounts were up to date with repayments;
- Mrs W's most recent default was 19 months earlier and there was no indication of current financial difficulty.

So, in summary, I can't conclude Vanquis made an unfair lending decision with regard to the initial approval of the card.

Credit Limit Increases

I can see Vanquis carried out further checks when it increased Mrs W's credit limit each time and they showed:

- The utilisation of her existing credit limits ranged between 77% and 96%;
- Mrs W was paying significantly more than the minimum repayments on her card – from 174% of the minimum repayment to as much as 1,074% when each of the limit increases were assessed;
- There was nothing in the management of Mrs W's credit card account that indicated she was struggling financially;
- There were no further defaults or late payments on her credit file;
- The balances on Mrs W's defaulted accounts continued to fall;
- The balance on Mrs W's other credit accounts fell between the initial lending and the second credit limit increase;
- By the third credit limit increase, Mrs W appears to have taken out new car finance, but the monthly repayments remained roughly the same.

However, as the credit limit increases were relatively significant, and a credit card is a long-term, open-ended commitment, I would have expected proportionate checks to have included an affordability assessment. I can't see Vanquis asked Mrs W about her income after the initial lending decision, so I've had a look at Mrs W's bank statements from around the time as a reasonable proxy for what proportionate checks were likely to have shown.

Mrs W's income over the period was between £1,100 and £1,300 and she had regular monthly commitments of between £300 and £400, including the car finance payments, but not including spend on food or travel. I haven't seen any evidence that Mrs W was paying housing costs at the time, so I'm satisfied that Vanquis would have found the credit limit increases to be affordable if it had carried out proportionate checks.

I acknowledge Mrs W took out a loan to repay the credit card in June 2016, and I can see the balance had increased due to two holidays booked in March 2015 and May 2016. However, until she repaid the balance, Mrs W had a direct debit set up to pay the minimum each month, and also made additional monthly repayments. So, I can't conclude that taking out the loan meant the lending was irresponsible, nor that the credit limits were not sustainably affordable.

In summary, I find Vanquis made fair lending decisions both when it approved the credit card, and at the point of each limit increase.

Finally, I've also considered whether Vanquis acted unfairly or unreasonably in any other way, including whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Vanquis lent irresponsibly to Mrs W or otherwise treated her unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

My final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 19 September 2024.

Amanda Williams

Ombudsman