

The complaint

Mr A complains that Vanquis Bank Limited was irresponsible when it offered him a credit card account and later increased his credit limit.

Mr A brought his complaint via a representative but I will refer to him throughout for simplicity.

What happened

Vanquis opened a credit card account for Mr A in November 2018 with a credit limit of £500. It increased his credit limit to £1,000 in March 2019.

Mr A complained to Vanquis in November 2023 that it had been irresponsible to provide him with credit and to later increase his credit limit. Mr A said that Vanquis didn't carry out an appropriate affordability assessment on either occasion, and should have seen that he was having problems with his finances and that the credit would have been unaffordable for him.

Vanquis didn't provide Mr A with a final response to his complaint and he referred it to us. Vanquis told us that it investigated Mr A's complaint but didn't find anything to suggest that either the initial lending or the later credit limit increase was unaffordable.

Our investigator looked into Mr A's complaint but didn't recommend that it be upheld. They found that Vanquis had carried out an appropriate check before opening the account for him and prior to increasing his credit limit, and there was nothing in its checks that should have raised concerns.

Mr A didn't agree with this recommendation and asked for the complaint to come to an ombudsman to decide and it came to me. I issued a provisional decision on 6 July 2024 explaining why I didn't plan to uphold Mr A's complaint. I allowed time for comments or new information for either party and have had no responses.

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.

Having reviewed everything again and, having no new information to consider, I see no reason to depart from my provisional conclusions. I'll set out my reasons again for not upholding Mr A's complaint in this final decision.

As before, in making my decision I've had regard to the regulator's rules and guidance on responsible lending (set out in its consumer credit handbook – CONC) which lenders, such as Vanquis, need to abide by. Vanquis will be aware of these, and our approach to this type of lending is set out on our website, so I won't refer to the regulations in detail here but will summarise them.

Before entering into a credit agreement or significantly increasing the credit limit, Vanquis

needed to check that Mr A could afford to repay the credit out of his usual means, within a reasonable period of time, without having to borrow further and without experiencing financial difficulty or other adverse consequences. The checks needed to be proportionate to the nature of the credit, for example the amount offered, and to Mr A's particular circumstances and Vanquis needed to have proper regard to the outcome of its assessment in respect of affordability risk.

The overarching requirement was that Vanquis needed to pay due regard to Mr A's interests and treat him fairly. CONC 2.2.2G gave an example of contravening this as 'targeting customers with regulated credit agreements which are unsuitable for them by virtue of their indebtedness, poor credit history, age, health, disability or any other reason.'

With this in mind, my main considerations are did Vanquis complete reasonable and proportionate checks when it opened the account for Mr A and later when it increased his limit to satisfy itself that he would be able to repay the credit offered within a reasonable period of time? If it didn't do this, what would reasonable and proportionate checks have shown? Was there anything of concern in the checks Vanquis carried out and did it make fair lending decisions? Did Vanquis treat Mr A unfairly or unreasonably in any other way, including whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974?

Vanquis provided a copy of Mr A's application form, along with the credit file information and the income and expenses figures it relied on in its creditworthiness assessments. As mentioned, Vanquis didn't provide Mr A with a final response to his complaint and it hasn't commented on its assessments in its correspondence with us, beyond saying that it didn't see anything in the information that suggested that the credit would have been unaffordable for Mr A.

Mr A's application in November 2018 stated that he was self-employed with an annual income of £28,000. A salary at this level might yield an income of around £1,900 net a month, but I have no information about any business expenses Mr A might have had. Vanquis recorded Mr A's total monthly costs as £1,378 but hasn't provided a breakdown of these, apart from a figure of £300 for living costs and £450 for household costs.

The credit file information Vanquis relied on shows that at the time of Mr A's application he had defaulted on eight accounts and owed a combined balance of just under £20,500. Mr A also owed a total of around £500 on a loan, an insurance account and a credit card, which was at its limit of £200. In addition, Mr A held a mortgage with repayments of £360. It seems he was a month behind in his mortgage repayments, and had been six months behind for the first six months of the year.

In March 2019 when it increased the credit limit from £500 to £1,000, Vanquis recorded Mr A's income as £2,700 a month and his total expenses as £1,378. Aside from the difference in Mr A's income, I haven't seen anything in the available information to suggest Mr A's financial situation had significantly changed from the time of the account opening.

Given the level of existing debt Mr A had and his recent difficulties with his mortgage payments, I think it would have been reasonable and proportionate of Vanquis to have verified the figures it relied on for Mr A's income and expenditure before opening the account for him, or later when it increased his credit limit. And, although the defaults weren't recent (the latest being 19 months prior to the account opening), Vanquis should have considered what Mr A might have been paying, or was required to pay, towards these. Based on the information I currently have, it doesn't seem to me that Vanquis carried out proportionate checks when it made its lending decisions.

That said, I haven't been provided with any personal information from Mr A about his circumstances at the time or any financial information such as bank account statements. So I can't say what Vanquis might have found out had it sought further evidence of Mr A's means at the time of the account opening or later. It may be that such evidence would have reassured Vanquis that Mr A would have been able to repay the credit within a reasonable period of time without it having an adverse impact on his finances, and so further checks would not have led to a decline.

Altogether, I haven't seen enough to conclude that Vanquis lent irresponsibly to Mr A or otherwise treated him unfairly, and so I am not upholding his complaint. And 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

For the reasons I've explained above I'm not upholding Mr A's complaint about Vanquis Bank Limited and don't require it to take any action in this regard.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 5 September 2024.

Michelle Boundy
Ombudsman