

The complaint

Mr J complains that Vanquis Bank Limited lent irresponsibly when it approved his application for a credit card and later increased the credit limit.

What happened

Mr J applied for a credit card with Vanquis in March 2017. Vanquis approved the application and gave Mr J a credit card with an initial credit limit of £500. In July 2017 the credit limit was increased to £1000.

Mr J complained that Vanquis had lent to him irresponsibly. Vanquis didn't agree. It said it had carried out proportionate checks before lending to Mr J. Mr J remained unhappy and brought his complaint to this service.

Our investigator didn't uphold the complaint. He said he thought Vanquis had carried out reasonable and proportionate checks at account opening and at the time of the credit limit increase, and that there was nothing to suggest that Mr J wouldn't be able to sustainably repay the lending.

Mr J didn't agree. He said that at the time he applied for the card, he wasn't working, was heavily involved in gambling and was in receipt of disability benefit of around £200 per month. Mr J said that this was overlooked by Vanquis when it made the decision to approve his application for the card. Mr J also said that he hadn't been able to secure credit for five years prior to applying to Vanquis due to a previous debt relief order, and due to previous defaults and county court judgments. Mr J said that Vanquis hadn't asked him to provide any proof of income or bank statements when he applied for the card, and that this meant that the checks carried out by Vanquis weren't reasonable. He also said the credit limit had been increased after only 4 months, which wasn't a sufficient time to assess whether he was able to sustainably repay what he had borrowed.

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.

We've set out our approach to complaints about irresponsible and unaffordable lending including the relevant rules, guidance and good industry practice on our website. I've had this approach in mind when considering Mr J's complaint.

Having done so, I've come to the same conclusion as the investigator. I don't think Vanquis lent to Mr J irresponsibly. I'll explain why I've reached this decision.

Vanquis needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice, this means that it should've carried out reasonable and proportionate checks to make sure Mr J could afford to repay what he was being lent in a sustainable manner. These checks could take into account a number of things, such as how much was being lent, the repayment amount, Mr J's borrowing history and his income and expenditure.

Vanquis has provided details of the checks it carried out before approving Mr J's application for the card. It says that these checks were proportionate to the amount of credit being advanced, and that the information obtained from the checks showed that it was reasonable to lend to Mr J.

When Mr J applied for the card, he declared that he was unemployed and that he had an annual income of £13,200.

Vanquis carried out a credit check which showed that Mr J hadn't had any county court judgments in the last 57 months, and that he hadn't defaulted on any debts in the last 37 months. The checks also showed that Mr J had 4 active credit accounts.

Based on what I've seen, I think Vanquis carried out reasonable and proportionate checks at the account opening stage. I say this because the initial credit limit of £500 was low in relation to Mr J's income and overall financial position, and the credit checks were proportionate in the circumstances. I can't see anything in the information obtained by Vanquis which suggests that Mr J wouldn't have been able to repay what he was borrowing in a sustainable manner.

I appreciate that Mr J has said that he had previously benefitted from a debt relief order and that he'd had defaults and county court judgments in the past. This isn't in dispute, and I can see that the defaults and county court judgments were visible on Mr J's credit file. However, the defaults and county court judgments were historic by the time Mr J made his application to Vanquis and I think it was reasonable for Vanquis to take the view that Mr J's more recent credit history gave no cause for concern.

Mr J has also queried why Vanquis didn't check his bank statements. He's referred to evidence of gambling transactions on the statements. Whilst it's fair to say that there are cases where a lender should carry out further checks – such as looking at bank statements – I'm not persuaded that this is the case here. There's no general obligation on a provider of credit to check bank statements. In Mr J's case, the information obtained from the checks carried out by Vanquis didn't give any cause for concern, and I haven't seen anything in the information obtained which would cause me to say that Vanquis should've carried out further checks (including checking bank statements).

Overall, I'm satisfied that the checks carried out by Vanquis when Mr J applied for the card were reasonable and proportionate in the circumstances, and showed that the credit was affordable for Mr J.

In July 2017 Vanquis increased Mr J's credit limit to £1000. Prior to increasing the credit limit, Vanquis carried out credit checks which showed no new defaults or county court judgments. Vanquis also took into account the information which it held about Mr J already, as well as Mr J's account history and usage since he opened the account.

Based on what I've seen, I think the checks carried out by Vanquis before increasing the credit limit were proportionate. I say this because the increase in the credit limit was a modest increase and wasn't likely to make a significant difference to Mr J's overall credit commitments. I also think the decision to increase the credit limit was fair, as Mr J had managed the account well and had made all of his payments on time, regularly paying more than the minimum monthly amount. I haven't seen anything to suggest that Mr J wasn't able to sustainably afford the repayments, or anything to suggest that further checks should've been carried out.

Taking everything into account, I don't think Vanquis lent to Mr J irresponsibly.

Finally, I've also considered whether Vanquis might have acted unfairly in some other way given the nature of Mr J's complaint, including whether his relationship with Vanquis might have been unfair under section 140 of the Consumer Credit Act 1974. Having done so, and for the reasons I've set out above, I don't think Vanquis lent irresponsibly to Mr J 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

My final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 8 October 2024.

Emma Davy
Ombudsman