

The complaint

Mrs J says Vanquis Bank Limited irresponsibly lent to her.

What happened

Mrs J applied for a credit card from Vanquis in February 2015. It gave her a £250 credit limit that it then increased four times - in June 2015 to £500, in December 2015 to £1,250, in October 2016 to £2,250 and in March 2017 to £2,500.

Mrs J says if Vanquis had done proper checks it would not have lent to her as she had lots of other debts and had previously defaulted on an account with Vanquis.

Vanquis says it completed proportionate checks that showed Mrs J could afford the credit at each stage.

Our investigator did not uphold Mrs J's complaint. She said Vanquis completed adequate checks at application and for the first two limit increases. And whilst it ought to have carried out better checks for increases three and four, it could fairly have made the same lending decisions had it done so.

Mrs J disagreed with this assessment and asked for an ombudsman's review. She said Vanquis didn't do all it should have and she shouldn't have been given the card as she had previously held a card with Vanquis that she defaulted on.

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.

Vanquis will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint about unaffordable and irresponsible lending. So, I don't consider it necessary to set all of this out in this decision. Information about our approach to these complaints is on our website.

To decide if Vanquis lent responsibly I need to consider if its checks were proportionate; if not what would better checks most likely have shown; did it make fair lending decisions; and finally, did it treat Mrs J unfairly in some other way.

Account opening & initial limit of £250 (February 2015)

I can see Vanquis carried out certain checks prior to opening the account. It asked Mrs J about her annual income and carried out a credit check to understand her credit commitments and repayment history. I think these checks were proportionate given the stage in the lending relationship and the amount of credit involved.

And I find Vanquis made a fair lending decision based on the information it gathered. Mrs J declared an annual income of £16,500 and her active unsecured debt was just £61.

There was no recent adverse data on her credit file, she was not using her overdraft facility. Mrs J has evidenced she defaulted on a Vanquis account in 2009 but this did not show up on the lender's credit check in 2015 (accounts remain on a credit file for six years). Plus even if the lender was aware (it was in Mrs J's previous name) I don't think that would have been a reason not to lend given it was so historic and the opening limit here was modest.

It follows I think it was fair for Vanquis to open the account for Mrs J.

Credit limit increases to £500 (June 2015) and £1,250 (December 2015)

Here Vanquis completed external credit checks and reviewed how Mrs J was using and repaying the account. On both occasions it could see her active debt remained relatively low, and well managed, but the first check did now show an old default on her file. It was from 39 months previously however so I don't think Vanquis needed to be overly concerned. And by December 2015 Mrs H had cleared over half that debt and there was no new adverse data.

Vanquis' own data on how Mrs J was managing her account showed she wasn't using all her available credit. There account had not been over its credit limit, payments were being made on time, and there were no cash advances. Mrs J's monthly repayments were for significantly more than the contractual minimum and she cleared the balance in full at times. So I find there were no indications that she was struggling financially.

It follows I think it was fair for Vanquis to increase Mrs J's limit in June and December 2015.

Credit limit increases to £2,250 (October 2016) and £2,500 (March 2017)

Vanquis repeated the same checks that it carried out for the first two increases. However given the value of the increases and the time since the lender had checked Mrs J's income, I think it needed to complete further checks and get an understanding of Mrs J's income and expenditure.

In cases like this we look at bank statements for the three months prior to the date of the lending decision. I am not saying Vanquis needed to do exactly this but it is a reliable way for me to understand what better checks would most likely have shown Vanquis. And had it completed an income and expenditure analysis for Mrs J I find Vanquis could fairly have concluded Mrs H could afford to sustainably repay the increased credit limits.

There was nothing in the external credit check or how Mrs J was managing her account that ought to have challenged this conclusion. Mrs J's active debt had decreased, as had her historic defaulted debt. There was a late payment marker from five months prior to the third limit increase in October 2016, but the account was brought up-to-date the following month and it was a one-off.

Vanquis' own data on how Mrs J was managing her account showed she hadn't been over limit and there were no late payments. Mrs J had withdrawn £30 cash but I don't think that in itself ought to have triggered further checks or stopped the increases. Mrs J was still making repayments of more than the contractual minimum and in the months prior to each increase she had repaid the balance in full. So I again find there were no indications that she was struggling financially.

It follows I think Vanquis could fairly have made the same lending decisions had it completed proportionate checks at the time of the third and fourth increases.

I've also considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think

Vanquis lent irresponsibly to Mrs J 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

I am not upholding Mrs J's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs J to accept or reject my decision before 11 October 2024.

Rebecca Connelley
Ombudsman