

## The complaint

Mr D complains that Vanquis Bank Limited (Vanquis) lent to him irresponsibly.

## What happened

In March 2018, Mr D applied for a credit card from Vanquis. This was agreed with a limit of £500, and then Vanquis increase his limit as shown:

Date	Limit
March 2018 – new card	£500
July 2018	£1,000
January 2021	£1,950
July 2022	£2,700
December 2022	£3,500

Mr D complained that Vanquis lent to him irresponsibly and couldn't have carried out the necessary checks. He entered an Individual Voluntary Agreement (IVA) in October 2016, so it was wrong for Vanquis to have lent any money to him. As a result of the borrowing, he was now in financial difficulty.

Vanquis said they'd completed the necessary checks and declined Mr D's complaint. The firm said:

- When Mr D applied for the credit card, he said he had an income of £23,000 per annum.
- He didn't have any CCJs against his name nor any defaults for the previous 16 months.
- His other debts were around £7,700 – which was acceptable to Vanquis.
- Vanquis increased the limit to £1,000 in July 2018. There were no adverse findings in the firm's checks, and other debts were then £8,418 – which they still considered to be OK.
- In January 2021, Vanquis offered an increased limit of £1,950. No adverse information was found, and other debts had reduced to £1,069 – again that was felt to be OK.
- In July 2022, Vanquis offered to increase the limit to £2,700. The firm's searches showed no adverse information and other debts were then £2,717 – again this was felt to be OK.
- In December 2022, Vanquis offered to increase Mr D's limit to £3,500. No adverse information was found and his other debts were £3,829 – again, this was felt to be OK.
- Vanquis said that at each limit increase, Mr D could've opted out of the offered increase, but didn't.

Mr D brought his complaint to us. Our investigator didn't uphold it. He said the checks carried out by Vanquis were not enough – they should've looked more closely at Mr D's circumstances before increasing the limit. Our investigator looked at Mr D's bank statements and he was satisfied that even if Vanquis had looked at those, they would've concluded that Mr D had enough income to make the payments to the credit card.

Mr D didn't agree and said that because he had entered an IVA in 2016, Vanquis shouldn't have lent to him. He asked that an ombudsman looks at his complaint and so it has come to me.

### **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.

All lenders have an obligation to lend money responsibly. We have to check whether Vanquis acted in line within the Financial Conduct Authority (FCA) rules on creditworthiness assessment as set out in its handbook, (CONC) section 5.2. These say that a firm must undertake a reasonable assessment of creditworthiness, considering both the risk to it of the customer not making the repayments, as well as the risk to the customer of not being able to make repayments. We look at:

- Whether the lender completed reasonable and proportionate checks to satisfy itself that the borrower would be able to repay any credit in a sustainable way?
- If reasonable and proportionate checks were completed, did the lender make a fair lending decision bearing in mind the information gathered and what the lender knew about the borrower's circumstances?
- And a reasonable and proportionate check would usually need to be *more* thorough:
  - the lower a customer's income, and the higher amount to be repaid.
  - the greater the number of loans and frequency of loans.
  - the longer the term of the loans

It's important to note that the checks must be proportionate to the amount being lent – so the higher the amount, the greater the checks must be, and the lower the amount, then fewer checks can be made.

I looked at the checks Vanquis carried out with this guidance in mind. **(continued)**

### *First issue of credit card (March 2018):*

Mr D says that he entered an IVA in 2016 – and I can see that Vanquis were aware of that as they could see there was a default in October 2016 for £21,780. But – this was about 18 months before Mr D applied for the card, which I think was sufficiently long before for Vanquis to consider he was a good credit risk to lend to. I don't think that an IVA means that a firm should necessarily refuse to lend to a customer if the other checks are carried out.

Mr D said he was earning £23,000 per annum and Vanquis could see he had another debt of around £7,700. But equally, Vanquis could see he was making the payments to it – there weren't any missed payments for example. I can also see that he'd had six other credit agreements in the few years up to this point – all of which he had paid off.

So, Vanquis could see Mr D was 'paying his way'.

*Limit increases: July 2018 to December 2022:*

I will summarise what I can see of Vanquis' checks at each increase – as there weren't any significant changes in Mr D's circumstances during the period.

- Mr D made regular payments to his Vanquis card throughout the time. I can see there were six over limit charges and two late payment charges between December 2018 and July 2020 – but in the round, I don't think these were significant.
- Mr D was also making payments to his other debts he had. So – in general, Vanquis could see this and could consider he was paying his way.
- And his other debts remained fairly low – I can see they were only £8,400 in July 2018 and they actually reduced to £3,800 by December 2022. And as against Mr D's salary of around £23,000, his other borrowing was considered manageable.
- I can see that Mr D's other debts actually reduced in January 2021 to around £1,000 – which wasn't very high at all.
- There were no other new defaults during the period.
- Mr D's 'utilisation' of his limits was high – over 90% - so he was using his credit limit fully. I've considered whether this should've been a cause for concern or a reason for Vanquis to not increase the limit. But when looked at in the round against Mr D's overall circumstances, I don't think there needed to be.
- So, when I look at the information Vanquis could see when they looked at Mr D's account, I'm satisfied they completed the necessary checks and made a sensible and reasonable lending decision.

It's not necessary for firms to ask more questions of customers and/or see their bank statements if their checks show they don't reasonably need to. And I'm satisfied that in this case, Vanquis didn't need to make further checks, based on the information they could see about Mr D's situation.

Therefore, I consider Vanquis lent to Mr D responsibly and I am not upholding Mr D's complaint. Vanquis don't have to do anything here. **(continued)**

## **My final decision**

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 2 December 2024.

Martin Lord

**Ombudsman**