

Complaint

Mrs C has complained that Vanquis Bank Limited (“Vanquis”) irresponsibly provided a credit card as well and the subsequent credit limit increases to her. She says that they were unaffordable and became unmanageable.

Background

Vanquis initially provided Mrs C with a credit card, which had a limit of £150, in April 2016. The limit was subsequently increased to £400 in August 2016, £1,000.00 in January 2017, £2,000.00 in July 2017 and finally £2,500.00 in June 2018.

One of our investigators reviewed what Mrs C and Vanquis had told us. And she hadn’t seen enough to be persuaded that proportionate checks would have shown Vanquis that it shouldn’t have provided the credit card or subsequent credit limit increases. So she didn’t recommend that the complaint be upheld.

Mrs C disagreed and asked for an ombudsman to look at her complaint.

My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Mrs C’s complaint.

Having carefully considered everything, I’ve not been persuaded to uphold Mrs C’s complaint. I’d like to explain why in a little more detail.

Bearing in mind Mrs C’s response to our investigator, I think that it would be helpful for me to set out that we consider what a firm did to check whether any repayments to credit were affordable (asking it to evidence what it did) and then determine whether this was enough for the lender to have made a reasonable decision on whether to lend.

Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify that information – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low, the amount lent was high, or the information the lender had – such as a significantly impaired credit history – suggested the lender needed to know more about a prospective borrower’s ability to repay.

That said, I think that it is important for me to explain that our website does not provide a set list of mandated checks that a lender is expected to carry out on every occasion – indeed the regulator’s rules and guidance did not and still do not mandate a list of checks to be used. It simply sets out the types of things that a lender could do.

It is for a lender to decide which checks it wishes to carry out, although we can form a view on whether we think what was done was proportionate to the extent it allowed the lender to reasonably understand whether the borrower could make their payments. Furthermore, if we don't think that the lender did enough to establish whether the repayments to an agreement was affordable, this doesn't on its own mean that a complaint should be upheld.

We would usually only go on to uphold a complaint in circumstances where we were able to recreate what reasonable and proportionate checks are likely to have shown – typically using information from the consumer – and this clearly shows that the repayments in question were unaffordable.

Vanquis says it initially agreed to Mrs C's application after it obtained information on her income and carried out a credit search. And the information obtained indicated that Mrs C would be able to make the low monthly repayments due for this credit card. Due to Mrs C's account being relatively well managed and the information on the credit checks it carried out, Mrs C was then subsequently offered her credit limit increases.

On the other hand Mrs C says that the credit limit became unmanageable and so she shouldn't have been lent to.

I've considered what the parties have said.

What's important to note is that Mrs C was provided with a revolving credit facility rather than a loan. This means that to start with Vanquis was required to understand whether a credit limit of £150 could be repaid within a reasonable period of time, rather than all in one go. And a credit limit of £150 required low monthly payments in order to clear the full amount owed within a reasonable period of time.

Vanquis' credit check did indicate that Mrs C had had previous difficulties with credit in the form of at least one default and one county court judgment ("CCJ") recorded against her. But I don't think that this necessarily means that Vanquis shouldn't have lent to her. In my view, it meant that Vanquis needed to exercise more caution which it did do by offering an extremely low initial credit limit.

In these circumstances, I don't think that it was unreasonable for Vanquis to rely on what Mrs C said about her income and what had in relation to her expenditure, particularly in light of the low monthly repayments that would be required to repay £150 within a reasonable period of time.

As this is the case, I'm satisfied that the checks carried out before Mrs C was initially provided with her credit card were reasonable and proportionate and Vanquis didn't act unfairly when agreeing to open a credit card for Mrs C.

As I've explained in the background section of this decision, Vanquis increased Mrs C's credit limit on four occasions until it eventually reached £2,500.00 in June 2018. The first of these limit increases was modest – it only increased Mrs C's credit limit to a total amount of £400.

So I wouldn't have expected Vanquis to have done too much more for this increase than it did when determining whether to initially provide the account. Furthermore, I can't see that any more significant adverse information was recorded against Mrs C in the period since she was given the card either. As this is the case, I'm satisfied that the checks carried out before the first limit increase were reasonable and proportionate.

However, by the time of the second limit increase in January 2017, Mrs C's credit limit was being increased to £1,000.00. So I would have expected Vanquis to have found out more about Mrs C's income and expenditure (particularly about her regular living expenses) before providing this credit limit increase.

As Vanquis has been unable to evidence having done this in this instance or for any of the later increases, I don't think that the checks it carried out before it increased Mrs C's credit limit in January 2017, or the subsequent ones, were reasonable and proportionate.

Ordinarily, where a firm failed to carry out reasonable and proportionate checks before providing credit or increasing the amount available to a customer, I'd usually go on to recreate reasonable and proportionate checks in order to get an indication of what such checks would more likely than not have shown.

However, Mrs C says she is unable to provide us with the information we've asked her for in order to be able to assess what Vanquis finding out more about her regular monthly living costs is likely to have shown. So I've not been provided with sufficient evidence to reasonably conclude that the limit increases were as a matter of fact unaffordable for Mrs C.

I appreciate that Mrs C may believe it is unfair to expect her to provide information which she doesn't have. But I also have to take into account that Vanquis isn't required to have all of the information either and as Mrs C's complaint was made in time, I have to decide the complaint on what I have before me.

Equally, it is only fair and reasonable for me to uphold a complaint in circumstances where I can see that any additional credit provided was unaffordable. And I'm afraid that I've not been provided with sufficient evidence that shows me she would not have been able to make the increased monthly payments required should she owe the full amount of the new credit limits.

Furthermore, having considered the results of the credit searches which Vanquis had carried out, I can't see that Mrs C had any significant adverse information recorded against her either. The only defaults and CCJs recorded against Mrs C remained the ones that Vanquis was aware of at the time that it agreed to Mrs C's application for a credit card. So I can't clearly see that Mrs C's finances were worsening either.

For the sake of completeness, I'm also mindful that these credit limit increases were offered over a period of over two years. Therefore, this isn't a case where I can say that the limit increases themselves ought reasonably to have shown Vanquis that it was rapidly increasing Mrs C's indebtedness, or that the pattern of lending here ought reasonably to have led Vanquis to conclude that the facility had become demonstrably unsustainable for Mrs C either.

So overall and having carefully considered everything and while I appreciate that this will disappoint Mrs C, I've not been persuaded that proportionate checks would have shown that Vanquis that it shouldn't have provided these credit limit increases to Mrs C. Furthermore, I don't think that Mrs C's pattern of borrowing meant that Vanquis offered the credit limit increases in circumstances where it ought reasonably to have realised that they may have been unsustainable or otherwise harmful for her either.

In reaching my conclusions, I've also considered whether the lending relationship between Vanquis and Mrs C might have been unfair to Mrs C under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I've not been persuaded that Vanquis irresponsibly lent to Mrs C or otherwise treated her unfairly. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

So overall and having considered everything, while I can understand Mrs C's sentiments and appreciate why she is unhappy, I'm nonetheless not upholding this complaint. I appreciate this will be very disappointing for Mrs C. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mrs C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 30 December 2024.

Jeshen Narayanan
Ombudsman