

## **The complaint**

Miss Y complains that Vanquis Bank Limited lent irresponsibly when it approved her credit card application and later increased the credit limit.

## **What happened**

In November 2017 Miss Y applied for a credit card with Vanquis. In her application, Miss Y said she was employed full time with an income of £12,000. Vanquis carried out a credit search and says it found Miss Y had outstanding debts of around £100 at the time of her application. Vanquis also found a default on Miss Y's credit file that was 43 months old. Vanquis applied its lending criteria and approved a credit card with a limit of £500.

Vanquis went on to increase the credit limit in stages. Vanquis increased the credit limit to £1,000 in March 2018, £2,000 in September 2019, £3,000 in February 2020, £4,000 in November 2020 and £5,000 in December 2022.

Miss Y continued to use the credit card and built up an outstanding balance. In October 2023 Miss Y contacted Vanquis and explained she was experiencing financial difficulties. In December 2023 representatives acting on Miss Y's behalf complained to Vanquis about the credit card and said it had lent irresponsibly. Vanquis issued a final response on 7 April 2024 but didn't uphold Miss Y's complaint.

An investigator at this service looked at Miss Y's complaint. They didn't think Vanquis had shown it completed reasonable and proportionate checks and said it should've gone further by requesting additional evidence, like bank statements, before agreeing to lend. But when the investigator looked at Miss Y's bank statements for the months before each lending decision, they weren't persuaded Vanquis lent irresponsibly. The investigator thought Vanquis would've still agreed to lend even if it had reviewed Miss Y's bank statements. Miss Y's representatives asked to appeal, so her complaint has been passed to me to make a decision.

## **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.

Before agreeing to lend or increasing the credit limit, the rules say Vanquis had to complete reasonable and proportionate checks to ensure Miss Y could afford to repay the debt in a sustainable way. These affordability checks needed to be focused on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:

- The amount of credit;
- The total sum repayable and the size of regular repayments;
- The duration of the agreement;
- The costs of the credit; and
- The consumer's individual circumstances.

That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate. Lenders may choose to verify a borrower's income or obtain a more detailed picture of their circumstances by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.

Vanquis has provided information from the original application, including Miss Y's employment and income details. Vanquis also completed a credit search and found Miss Y owed around £100 to other lenders and had a default that was 43 months old. But I haven't seen any details of the affordability checks Vanquis completed in terms of Miss Y's regular income and outgoings. In the circumstances, I think Vanquis should've gone further to get a better picture of Miss Y's circumstances. One option would've been to review Miss Y's bank statements for the period before her application, which is what I've done.

Miss Y's bank statements for the three months before she applied to Vanquis don't show any obvious signs of being over committed or that she was in financial difficulties. I note that Miss Y received income from what appears to be her employment as well as a student loan. But the overall level of income being received was in line with, if not higher, than the figure declared in Miss Y's application. And I wasn't able to find evidence of outgoings for rent, utilities or significant other debts on Miss Y's bank statements either. In my view, the bank statements indicate Miss Y was managing her account well and I haven't seen anything that would've caused Vanquis concerns. In my view, Vanquis would've most likely still approved Miss Y's credit card limit of £500 if it had reviewed her bank statements as part of the application process.

Vanquis increased the credit limit to £1,000 in March 2018. I've looked at Miss Y's bank statements for January and February 2018 to get an understanding of her situation at the time. Miss Y earned £1,303 in January 2018 and £1,473 in February 2018, in addition to receiving working tax credits. I didn't see any payments for debts with other businesses or for items like rent or utilities. Miss Y's account was well managed with no returned payments or significant overdraft use. In my view, Miss Y's bank statements show she was in a position to afford repayments to an increased credit limit of £1,000. I haven't been persuaded Vanquis lent irresponsibly when it increased Miss Y's credit limit to £1,000.

I've looked at Miss Y's bank statements for the period before the credit limit was increased to £2,000 in September 2019. In June 2019, Miss Y was paid £1,135 and also received working tax credits. I can see transfers to other accounts in this month but no obvious payments for rent or utilities. In July 2019, Miss Y was paid £1,122 plus tax credits. I can see that in July 2019, Miss Y made payments of £131 and £173 to other lenders. In August 2019 Miss Y received pay of £1,235, I didn't see any tax credits. There were various payments to Vanquis during the month to reduce the outstanding balance but no payments to other lenders I was able to see. Miss Y's account was well maintained during the period and whilst overdrawn at times, it was only by modest amounts. I'm satisfied that if Vanquis had reviewed Miss Y's bank statements it would've most likely still decided to increase her credit limit to £2,000.

The credit limit was increased to £3,000 in February 2020. In December 2019, Miss Y's bank statement shows she was paid £938. I can see that in addition to repayments to Vanquis, Miss Y paid £30 for utilities, and £442 to a university. In December 2019, Miss Y was paid £737 and made another payment to a university of £442 as well as a mobile phone bill of £73. In January 2020 Miss Y was paid £399 and I found outgoings of £60 for a mobile phone. There were no rent, utilities or other regular payments debited during January 2020 that I could see.

Whilst I accept the level of income had reduced by this point, I still think it's fair to say Miss Y appeared to have been living within her means. Miss Y's account was well maintained and her outgoings were low. I can see two payments made to a university, but I'm satisfied they were affordable in the months they were taken. In my view, Vanquis would most likely have still approved Miss Y's new credit limit of £3,000 even if it had looked at her bank statements first. I haven't been persuaded that Vanquis lent irresponsibly when it increased the limit to £3,000.

Vanquis increased the credit limit to £4,000 in November 2020. I've looked at Miss Y's bank statements for the three months before November 2020. Miss Y's August 2020 statement shows she was in receipt of Universal Credit at that time. But by October 2020, Miss Y's bank statement shows she was working and earned £1,154. Other than Miss Y's payments to Vanquis, there's no signs of other debts at this time. And Miss Y's only other regular outgoing at the time appears to have been for her mobile phone contract which came to £62. So even accepting Miss Y appears to have not been working in August 2020, I'm satisfied that by October 2020, her income had returned to a similar level as declared in the original application. There are no signs of Miss Y being over committed in terms of other debts or regular outgoings and her current account was well maintained. In my view, Vanquis would most likely have still decided to increase the credit limit to £4,000 in November 2020 if it had looked at Miss Y bank statements.

The credit limit was increased to £5,000 in December 2022. Miss Y's bank statement for September 2022 shows she earned around £1,532. There were outgoings for utilities, mobile phone and some new borrowing, totalling around £400. In October 2022 Miss Y was paid £1,252 and had a similar level of outgoings at around £400. In November 2022, Miss Y was paid £1,301 and had regular outgoings totalling around £400 again. For all three months, Miss Y's bank account was well maintained and whilst overdrawn at times, the balance was modest. I'm satisfied Miss Y's bank statements show she had capacity to afford repayments for a credit card of £5,000. I'm sorry to disappoint Miss Y but I think it's more likely than not that even if Vanquis had looked at her bank statements it would've still increased her credit limit to £5,000.

For the reasons I've noted above, whilst I agree with the investigator's view that Vanquis ought to have carried out a more comprehensive set of checks before deciding to lend, I'm satisfied that if it had done so it would've still most likely have approved Miss Y's credit card application and then gone on to increase the credit limit in stages to £5,000. As a result, I haven't been persuaded that Vanquis lent irresponsibly.

I've considered whether the business acted unfairly or unreasonably in any other way including 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 Miss Y or otherwise treated her 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 decision is that I don't uphold Miss Y's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss Y to accept or reject my decision before 4 November 2024.

Marco Manente

**Ombudsman**