

## The complaint

Mr O complains that Vanquis Bank Limited irresponsibly lent to him.

Mr O is represented by a Claims Management Company in bringing this complaint. But for ease of reading, I'll refer to any submission and comments they have made as being made by Mr O himself.

## What happened

Mr O was approved for a Vanquis credit card in March 2016 with a £500 credit limit. I have detailed the credit limit changes below:

November 2016	£500 to £1,500
November 2017	£1,500 to £2,500
August 2019	£2,500 to £3,000
August 2021	£3,000 to £4,250
August 2022	£4,250 to £7,000

Mr O says that Vanquis irresponsibly lent to him, and he made a complaint to Vanquis, who did not uphold his complaint. Vanquis said appropriate checks were made which were proportionate to the amount of credit being granted. Mr O brought his complaint to our service.

Our investigator did not uphold Mr O's complaint. She said that Vanquis' checks were proportionate for the first four lending decisions but based on the level of debt Mr O had in August 2021, she thought Vanquis should have carried out further checks. She reviewed Mr O's bank statements for the lending decisions in August 2021 and August 2022, and she concluded that Vanquis made fair lending decisions.

Mr O asked for an ombudsman to review his complaint. He said that he needed to borrow money from friends to meet his credit card repayments, then at the end of the month he would repay his friends.

## 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 approve or increase the credit available to Mr O, Vanquis needed to make proportionate checks to determine whether the credit was affordable and sustainable for him. There's no prescribed list of checks a lender should make. But the kind of things I expect lenders to consider include - but are not limited to: the type and amount of credit, the borrower's income and credit history, the amount and frequency of repayments, as well as the consumer's personal circumstances. I've listed below what checks Vanquis have done and whether I'm persuaded these checks were proportionate.

*Acceptance for the Vanquis credit card - initial credit limit (£500)*

I've looked at what checks Vanquis said they did when initially approving Mr O's application. I'll address the credit limit increases later on. Vanquis said they completed a credit check with a Credit Reference Agency (CRA) and information that Mr O had provided before approving his application.

The information showed that Mr O declared a gross annual salary of £18,000. But that's not all Vanquis' data showed. The data showed that Mr O had active outstanding unsecured balances of £5,226. And he also had a default registered on his credit file for £1,500.

It may help to explain here that, while information like a default on someone's credit file may often mean they're not granted further credit – they don't automatically mean that a lender won't offer borrowing. Here, Vanquis considered the information that Mr O had on his credit history and still made a decision to lend which, in the circumstances, I think was reasonable.

I say this because the default was registered 31 months prior to his application. So some time had passed since this was registered. The credit checks showed that Mr O had no County Court Judgements (CCJ's) being reported by the CRA and he had no arrears on any active accounts over the prior 12 months.

So I'm satisfied that the checks Vanquis carried out here, prior to approving the initial £500 credit limit were proportionate and that Vanquis made a fair lending decision to approve Mr O's application.

#### *November 2016 credit limit increase - £500 to £1,500*

I've looked at the information available to Vanquis when they increased Mr O's credit limit to £1,500. The information showed that Mr O did incur one overlimit charge in May 2016. This could be a sign that Mr O could have been relying too much on credit. Or it could have just been a genuine error from Mr O.

But the data from the CRA appears to show some concerning data, which I'm persuaded should have resulted in Vanquis making further checks to ensure the lending was sustainable and affordable for him.

I say this as the data shows Mr O had a number of short term loans over the three month period prior to the lending decision. The data shows at one point Mr O appeared to have five short term loans. So this could indicate that Mr O was having to borrow money to meet his outgoings.

So I'm persuaded this ought to have prompted Vanquis to make further checks. There's no set way of how Vanquis should have made further proportionate checks. One of the things they could have done was to contact Mr O to get an understanding of why he had taken out multiple short term loans in a short period of time. Or they could have asked for his bank statements as part of a proportionate check to ensure the lending was sustainable and affordable for him.

Mr O has provided his bank statements for the three months leading up to the November 2016 credit limit increase. The statements show regular income crediting Mr O's account. This varies as it appears Mr O is self-employed, and he receives income from different sources, but I couldn't locate any credits from any payday companies or other lenders.

I can see Mr O made two payments to a payday loan company, with one for £144.96 on 26 August 2016, and the other one for £255.74 on 26 September 2016. So it does look like he had payday lending. But there was no payment to a payday loan company that I could find

on his statement in October 2016. So it does appear that he may have repaid any amount he had on payday loans at the time, otherwise I would have expected to have seen an amount debit his account in October 2016 – the month prior to Vanquis increasing his credit limit.

Mr O's bank statements show that his account is generally well ran. He does occasionally use some of his authorised overdraft, although he doesn't get very close to using all of his £450 arranged overdraft. Mr O's statements for these three months show he often has a three figure credit balance, and I couldn't identify any returned payments during this timeframe. It also appears that Mr O was receiving more income than he originally declared on his application.

So I'm persuaded that if Vanquis did request Mr O's bank statements as part of a proportionate check, based on what their data showed from the CRA, then they still would have increased the credit limit to £1,500. I'm persuaded that Vanquis made a fair lending decision here.

#### *November 2017 credit limit increase - £1,500 to £2,500*

I've looked at the information available to Vanquis when they increased Mr O's credit limit to £2,500. The information showed that Mr O's unsecured debt was slightly higher than a year earlier when the last credit limit increase happened. But the data shows that Mr O's unsecured debt was mostly falling month by month after April 2017. So it could appear that Mr O did have the affordability to reduce the active unsecured debt he had.

The data from the CRA showed Mr O had no short term lending prior to this credit limit increase, and he had no new adverse data showing on his credit file for the six months prior to this lending decision.

Mr O didn't incur any late/missed payment/overlimit fees on his Vanquis account in the months leading up to the credit limit increase, and it appears he made higher repayments than his minimum amount due. So I've seen no obvious signs that Vanquis should have been aware of any financial difficulty from Mr O at this point. The data suggests that Mr O would be able to sustain a £2,500 credit limit, and that this would be affordable for him. So I'm satisfied that Vanquis made a fair lending decision when they increased the credit limit to £2,500.

#### *August 2019 credit limit increase - £2,500 to £3,000*

I've looked at the information available to Vanquis when they increased Mr O's credit limit to £3,000. The information showed that Mr O's unsecured debt was slightly higher than at the last credit limit increase. But the data shows that Mr O's unsecured debt was lower than six months prior to the August 2019 credit limit increase. So it could appear that Mr O did have the affordability to reduce the active unsecured debt he had.

The data from the CRA showed Mr O had no short term lending prior to this credit limit increase, but he did recently have a late/missed payment not long before this lending decision., which could indicate financial difficulties for Mr O. Or it could have just been an oversight on Mr O's behalf.

I've looked at how Mr O managed his Vanquis card prior to the credit increase. Mr O statements show no overlimit/late or missed payment fees. And it appears he made higher repayments than his minimum repayment. So if Mr O was struggling financially prior to the credit limit increase, I wouldn't expect him to be able to make higher repayments than the minimum.

So based on a balanced view of all of the data available to Vanquis prior to them increasing the credit limit to £3,000, I'm persuaded that they made a fair lending decision to increase the credit limit on the account to £3,000.

*August 2021 credit limit increase - £3,000 to £4,250*

I've looked at the information available to Vanquis when they increased Mr O's credit limit to £4,250. The information showed that Mr O's unsecured debt was higher than at the last credit limit increase by around £1,000. But the data shows that Mr O's unsecured debt was lower than six months prior to the August 2021 credit limit increase by around £600. So it could appear that Mr O did have the affordability to reduce the active unsecured debt he had.

The data from the CRA showed Mr O had no short term lending prior to this credit limit increase, and he had no late/missed payments just prior to this lending decision. So it did appear that Mr O was able to manage his unsecured debt prior to the credit limit increase.

I've looked at how Mr O managed his Vanquis card prior to the credit limit increase. Mr O's statements show no overlimit/late or missed payment fees. And it appears he made higher repayments than his minimum repayment, including a repayment of £344.44 in June 2021, only two months prior to the credit limit being increased. So if Mr O was struggling financially prior to the credit limit increase, I wouldn't expect him to be able to make higher repayments than the minimum.

So it does appear that Mr O would be able to sustain a credit limit increase to £4,250, and the repayments would be affordable for him. So I'm persuaded that Vanquis made a fair lending decision to increase the credit limit on the account to £4,250.

*August 2022 credit limit increase - £4,250 to £7,000*

I've looked at the information available to Vanquis when they increased Mr O's credit limit to £7,000. The information showed that Mr O's unsecured debt was nearly double than what it was at the last credit limit increase. So this could be an indication that Mr O was hungry for credit. The amount of unsecured debt he had would be comparable to what he declared originally on his application for his annual income if tax was deducted from this figure.

So I'm persuaded this ought to have prompted Vanquis to make further checks. There's no set way of how Vanquis should have made further proportionate checks. One of the things they could have done was to contact Mr O to get an understanding of why his unsecured lending had nearly doubled since the last credit limit increase. Or they could have asked for his bank statements as part of a proportionate check to ensure the lending was sustainable and affordable for him.

Mr O has provided his bank statements for April-July 2022, leading up to the August 2022 credit limit increase. The statements show regular income crediting Mr O's account. This varies each month and, he receives income from different sources, but I couldn't locate any credits from any payday companies.

There was a credit of £3,000 from a personal loan lender, and I can see that Mr O used some of this to make repayments to lenders, including his Vanquis card. So it looks like Mr O was trying to restructure his debt here.

Mr O's bank statements show that his account is generally well ran. He does occasionally use some of his authorised overdraft, although he doesn't get very close to using all of his £450 arranged overdraft. Mr O's statements for these months show he often has a three

figure credit balance, and I couldn't identify any returned payments during this timeframe. It also appears that Mr O was receiving more income than he originally declared on his application.

The statements do not appear to show Mr O borrowing money from friends to meet his credit card repayments, then at the end of the month him repaying his friends. But there is an indication that Mr O has a savings account as his statements show that on 12 May 2022, a payment credited his account for £400 from an Individual Savings Account (ISA).

I've also looked at how Mr O was operating his Vanquis account prior to the credit limit increase. The data shows that Mr O had made a four figure repayment to his Vanquis account prior to the credit limit increase (likely to be a balance transfer elsewhere) in June 2022. He had incurred no overlimit or late/missed payment fees since the last credit limit increase, and his credit utilisation of his account was around 10%, so Mr O was not utilising a lot of his credit on this account.

From Vanquis' system notes prior to the credit limit increase I see they halved his interest rate on the account, and at the same date he was offered the credit limit increase he was offered a promotional balance transfer interest rate at 0% for 12 months, which it appears Mr O took advantage of, which would also help him restructure his credit card lending to pay less interest during the promotional period.

So I'm persuaded that if Vanquis did request Mr O's bank statements as part of a proportionate check, based on what their data showed from the CRA, then they still would have increased the credit limit to £7,000, as it appears the repayments would be affordable and sustainable for Mr O. So I'm persuaded that Vanquis made a fair lending decision here.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I can't conclude that Vanquis lent irresponsibly to Mr O or otherwise treated him 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. So it follows I don't require Vanquis to do anything further.

### **My final decision**

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 13 December 2024.

Gregory Sloanes  
**Ombudsman**