

The complaint

Mr B, through a representative, says Vanquis Bank Limited irresponsibly lent to him.

What happened

Mr B took out a credit card from Vanquis on 20 July 2016. He was given a credit limit of £250. This was increased to £750 in February 2017, to £1,750 in October 2017 and to £2,500 in June 2018.

Mr B says Vanquis did not complete a thorough check of his income and expenditure before lending to him, as it ought to have.

Vanquis says it completed adequate checks that showed Mr B could afford the credit.

Our investigator did not uphold Mr B's complaint. She said Vanquis' checks were proportionate at application and for the first limit increase and it made fair lending decisions. Whilst she found it ought to have completed better checks at the time of the second and third limit increases, she hadn't seen any evidence to say had it done so it ought to have made different lending decisions.

Mr B disagreed and asked for an ombudsman's review. In summary, he said Vanquis shouldn't have lent to him as he had other unsecured debts that had risen to £4,500 at the time of the first limit.

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 set out 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 a fair lending decision; and finally, did it treat Mr B unfairly in some other way.

Application and opening limit

I can see Vanquis asked for certain information from Mr B when he applied – this included his Income and employment status. It carried out a credit check to understand his credit commitments and credit history. From these checks combined Vanquis concluded Mr B could afford a card with a credit limit of £250.

I think these checks were proportionate given the amount of credit involved and the stage in the lending relationship. And I think Vanquis made a fair lending decision based on the

information gathered. Mr B declared an annual income of £34,800. The credit check showed he had very little debt – just £235. He had defaulted on two accounts but this was in 2011 so around five years ago. As this adverse data was historic I don't think it meant Vanquis ought not to have lent to Mr B, particularly given the low limit it offered.

It follows I don't think Vanquis was wrong to give the card to Mr B.

Limit increases

Before each increase Vanquis reviewed how Mr B was managing his account and carried out a new credit check. I think this was proportionate for the first increase to £750 and I can't see anything in the information it gathered that ought to have concerned Vanquis.

Mr B's debt had increased to £4,500 but there was no new adverse data on his file. Based on the income he had declared at application just over six months before, and the fact the limit increase would cost Mr B a maximum of £25 more a month, I think it was reasonable to offer it to him. The increase in his debt to £4,500 would not be a reason not to lend as he argues. The likely monthly cost of repaying this debt sustainably (assuming a repayment rate of 5% of balance) would be less than 10% of his income.

For limit increases two and three however I think Vanquis ought to have completed fuller checks, and considered Mr B's income and expenditure to complete an affordability assessment. I say this based on the value of the increases given.

In cases like this we look at bank statements for the three months prior to the lending decision. I am not saying Vanquis needed to do this but it is a reliable way for me to understand Mr B's income and outgoings at the time. As the investigator said, Mr B did not provide this evidence in full, rather he sent extracts from some relevant months and nothing for others. So I cannot complete a proxy affordability assessment.

However, from what I have seen I cannot say it seems most likely the increases were not affordable for Mr B. I note Mr B's testimony that his gambling was problematic, but whilst I think Vanquis needed to consider Mr B's income and essential outgoings I don't think it would have been proportionate for it to complete the level of financial review needed to possibly discover this. I hope Mr B now has the support he needs, if not he could contact GamCare on 0808 802 0133.

Also, I can see from the lender's credit checks that by increase three Mr B had settled his defaulted debts in full. His active debt had fallen to £2,451. By increase four it was down to £1,671. At the dates of both increases his accounts were up-to-date and there had been no missed payments between increases. In the round, the credit checks showed no indications that the new limits might be unaffordable. So from the available evidence I cannot fairly conclude Vanquis was wrong to increase Mr B's limit in October 2017 or June 2018.

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 Mr B 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.

My final decision

I am not upholding Mr B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or

reject my decision before 14 November 2024.

Rebecca Connelley
Ombudsman