

The complaint

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

Mr M is represented by a Solicitor's firm 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 M himself.

What happened

Mr M was approved for a Vanquis credit card in December 2015 with a £500 credit limit. I have detailed the credit limit changes below:

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|----------------|------------------|
| April 2016 | £500 to £1,000 |
| September 2016 | £1,000 to £2,000 |
| April 2017 | £2,000 to £3,000 |
| September 2017 | £3,000 to £3,500 |
| April 2018 | £3,500 to £4,000 |

Mr M 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 M brought his complaint to our service.

Our investigator did not uphold Mr M's complaint. She said that Vanquis should have carried out further checks. As Mr M's bank statements were only available post August 2017, she couldn't say what further checks would have shown prior to this date. She reviewed Mr M's bank statements for the lending decisions after this date, and she said the lending decisions appeared affordable, so she concluded that Vanquis made fair lending decisions.

Mr M asked for an ombudsman to review his complaint. He made a number of points. In summary, he said he had an account with a third party bank which was overdrawn by around £1,500. He had utilised the credit limit of a third party credit card, his gross pay on his application included an annual bonus which wasn't guaranteed, and his gross pay in April 2017 was £30,837. Mr M said that Vanquis never completed any credit checks when increasing his credit limit, and he had to borrow money from other people.

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.

Firstly, I'm aware that I've only summarised Mr M's complaint points. And I'm not going to respond to every single point made by him. No discourtesy is intended by this. It simply reflects the informal nature of our service as a free alternative to the courts. If there's something I haven't mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual point to be able to reach what I think is a fair outcome.

Before agreeing to approve or increase the credit available to Mr M, 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 M'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 M had provided before approving his application.

The information showed that Mr M declared a gross annual income of £34,000. I've considered what Mr M has said about his income included his annual bonus, and this wasn't guaranteed, however, Vanquis would not know this wasn't guaranteed if Mr M had included it in his gross annual income, and I'm not persuaded it would be proportionate for Vanquis to make further checks to see if a customer's declared income includes annual bonuses, such as asking for payslips.

The data showed that Mr M had active outstanding unsecured balances of £10,400. But there were no defaults or County Court Judgements (CCJ's) being reported by the CRA. But one of Mr M's accounts was in arrears at the time the checks were completed. So I do think that Vanquis should have completed further checks to ensure the borrowing would be affordable and sustainable for Mr M.

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 M to get an understanding of why he was in arrears on an account. 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. Unfortunately, too long has passed for Mr M's bank to provide his bank statements for the three months leading up to the credit card application.

So on the face of it, it does look like Vanquis should've looked more closely into this. But as my role is impartial, that means I have to be fair to both sides and although I'm satisfied that Vanquis should've done more checks here – I can't say whether further checks would've revealed further information which means they wouldn't have lent. So as Mr M hasn't provided me with his bank statements (albeit through no fault of his own), that means that it wouldn't be fair for me to say that Vanquis shouldn't have lent here, because I don't know what further checks would reveal.

April 2016 credit limit increase - £500 to £1,000

I've looked at what checks Vanquis said they did when increasing the credit limit to £1,000. I've considered what Mr M has said about Vanquis not completing credit checks when the credit limits were increased, but Vanquis did actually complete credit checks each month.

The data also shows that Mr M in a three month period paid £505 towards his Vanquis balance when £69.20 was due in the same period. So this could indicate that Mr M's had the affordability to make higher repayments to sustain a higher credit limit. And the checks showed that Mr M was not in arrears on any of his accounts at the time the credit limit had increased, and he hadn't been since the account was opened.

But the data from a CRA shows that Mr M had unsecured balances of £16,631. So Mr M's unsecured borrowings had risen by over 50% in only four months since his account was opened. So this could be an indication that Mr M was reliant on credit. So I'm persuaded that Vanquis should have carried out further checks here. But again, too long has passed for Mr M's bank to provide his bank statements for the three months leading up to the credit limit increase.

So on the face of it, it does look like Vanquis should've looked more closely into this. But as my role is impartial, that means I have to be fair to both sides and although I'm satisfied that Vanquis should've done more checks here – I can't say whether further checks would've revealed further information which means they wouldn't have lent. So as Mr M hasn't got access to his bank statements from around this time, that means that it wouldn't be fair for me to say that Vanquis shouldn't have lent here, because I don't know what further checks would reveal.

September 2016 credit limit increase - £1,000 to £2,000

I've looked at what checks Vanquis said they did when increasing the credit limit to £2,000. The data from a CRA shows that Mr M had unsecured balances of £16,636. So Mr M had been using broadly the same amount of credit as he had been at the last credit limit increase, despite the credit limit being higher on his Vanquis account.

The data also shows that Mr M did not have any late payments, and he didn't exceed his credit limit. He was not in arrears on any other accounts. So this would indicate that Mr M was able to manage his borrowings, and that they were affordable and sustainable for him. So I'm persuaded that Vanquis' checks were proportionate here, and that they made a fair lending decision to increase Mr M's credit limit to £2,000.

April 2017 credit limit increase - £2,000 to £3,000

I've looked at what checks Vanquis said they did when increasing the credit limit to £3,000. The data showed that Mr M had exceeded his credit limit on his Vanquis account. This could be a sign of financial difficulty, or it could just have been a genuine oversight. So I've looked to see what else the checks showed.

The data from a CRA shows that Mr M had unsecured balances of £14,622 prior to the credit limit increase. So Mr M had been able to repay over 10% of his unsecured borrowings since his last credit limit increase. So if Mr M had been in financial difficulties due to his borrowings, I would not expect him to be able to reduce his borrowings by over £2,000 in a seven month period.

The data also shows that Mr M did not have any late payments, and he was not in arrears on any of his accounts. So this would indicate that it was just a genuine oversight that Mr M exceeded his credit limit. So I'm persuaded that Vanquis' checks were proportionate here, and that they made a fair lending decision to increase Mr M's credit limit to £3,000.

September 2017 credit limit increase - £3,000 to £3,500

I've looked at what checks Vanquis said they did when increasing the credit limit to £3,500. The data showed that Mr M did not have any late payments, and he was not in arrears on any of his accounts. But the data from the CRA shows that Mr M had unsecured balances of £19,737 prior to the credit limit increase. So this would have been over 50% of his originally declared income. Based on the unsecured balances increasing, I'm persuaded that this should have prompted further checks from Vanquis to ensure the lending was affordable and sustainable for Mr M.

One of the things Vanquis could have done was to contact Mr M to get an understanding of why his unsecured borrowings had increased since the last lending decision. 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. But given that Mr M is unable to get his three bank statements prior to this lending decision, then I'm unable to review these for this lending decision.

So on the face of it, it does look like Vanquis should've looked more closely into this. But as my role is impartial, that means I have to be fair to both sides and although I'm satisfied that Vanquis should've done more checks here – I can't say whether further checks would've revealed further information which means they wouldn't have lent. So as Mr M hasn't provided me with his bank statements (again, through no fault of his own), that means that it wouldn't be fair for me to say that Vanquis shouldn't have lent here, because I don't know what further checks would reveal.

April 2018 credit limit increase - £3,500 to £4,000

I've looked at what checks Vanquis said they did when increasing the credit limit to £4,000. The data shows that Mr M did not have any late payments, and he was not in arrears on any of his accounts.

But the data from a CRA shows that Mr M's unsecured balances had risen again, to £21,302 prior to the credit limit increase. So Mr M had debt which was nearly two thirds of his originally declared gross annual income. So I do think this should have prompted further checks from Vanquis.

Mr M has provided his bank statements for three months prior to his credit limit increasing to £4,000. If Vanquis would have requested these as part of a proportionate check based on his credit usage, they would have been able to see that in two of these months Mr M's net monthly income from his salary was just under £2,000. So his salary would have been slightly under what was originally declared on his application. The other month showed a payment of more than double his normal salary, which would indicate that Mr M had received a bonus and/or completed overtime, so I'm not persuaded that Vanquis would have considered this to be his normal monthly income.

Although Mr M sometimes enters his arranged overdraft on the bank account his salary goes into, his arranged overdraft limit is £100, and he doesn't exceed this in the three months prior to the credit limit increase. For the majority of the three months he is in credit, and he appears to manage his account well. There doesn't appear to be any returned direct debits, and there doesn't appear to be any obvious signs of financial difficulty. Mr M's bank statements also appear to show he makes higher repayments to his Vanquis account than what his minimum repayments would be, which again, could indicate he could afford repayments for a credit limit which was increasing by £500.

I've considered what Mr M has said about his payslips, but it wouldn't be proportionate for Vanquis to request them here. And although Mr M has provided his bank statement for another account with another bank which shows he is overdrawn, there would be no real indication from his main bank account that Mr M has another account elsewhere which he may not be managing efficiently. While the overdrawn figure would be likely to be included in the balances being reported by the CRA, it would not be proportionate for Vanquis to ask Mr M for any other account statements he may have if they would have completed further checks and asked for his main bank account statements.

I've also considered what Mr M has said about utilising other credit limits. But the total unsecured debt outstanding balances were showing on Vanquis' checks, and as the checks didn't show any missed payments, then I'm persuaded that Vanquis would be fair to view the credit as being affordable to Mr M. Although Mr M has mentioned that he needed to borrow money, the bank statements leading up to the £4,000 credit limit do not appear to show indications of him having to borrow money to meet his outgoings.

So if Vanquis had asked for Mr M's bank statements for the three months leading up to the credit limit increase to £4,000, I'm persuaded that after viewing these, they would have still increased Mr M's credit limit to £4,000. So for the reasons given 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 M 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 M to accept or reject my decision before 7 January 2025.

Gregory Sloanes
Ombudsman