

## The complaint

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

Mr C 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 C himself.

## What happened

Mr C was approved for a Vanquis credit card in January 2018 with a £500 credit limit. I have detailed the credit limit changes below:

|                |                  |
|----------------|------------------|
| May 2018       | £500 to £1,000   |
| September 2018 | £1,000 to £2,000 |
| April 2021     | £2,000 to £3,000 |

Mr C 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 C brought his complaint to our service.

Our investigator did not uphold Mr C's complaint. She said that Vanquis made fair lending decisions. Mr C asked for an ombudsman to review his complaint. He said he had been discharged from an Individual Voluntary Arrangement (IVA), he was in arrears on his water bill between June 2020-June 2021, and he had to take further borrowing in January 2022 as he was stuck in a loop of repaying some of the balance on the card then using the card again.

## 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 C, 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 C'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 C had provided before approving his application.

The information showed that Mr C declared a gross annual income of £26,000. But the information also showed Mr C had previously defaulted on credit agreements, with the last default being registered 58 months prior to his application, and there were County Court Judgements (CCJ's) showing on his credit file, with the last one being registered 61 months prior to his application. The total amount of defaults were showing as £23,100.

It may help to explain here that, while information like a default or CCJ's 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. So I've looked at what other checks Vanquis made to see if they made a fair lending decision.

The checks showed that Mr C had entered into an IVA in December 2012. But as this was over five years prior to his application, I'm not persuaded that this should automatically result in his application being declined, as his financial circumstances could have changed since this time.

The data showed that Mr C had three active accounts being reported by the CRA Vanquis used, but there doesn't appear to be any active unsecured debt he held when he applied for the account (the checks show a mortgage, a current account with no overdraft usage being reported, and a communications account).

The £500 credit limit would have equated to less than 2% of Mr C's annual income he declared to Vanquis, which I'm not persuaded was excessive. So I'm persuaded that the checks Vanquis carried out were proportionate for the amount of credit they approved for Mr C, and I'm persuaded they made a fair lending decision to approve his application.

#### *May 2018 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. The data shows that Mr C in a three month period paid £143.52 towards his Vanquis balance when £74.85 was due in the same period. So this could indicate that Mr C's had the affordability to make higher repayments to sustain a higher credit limit. And the checks showed that Mr C was not in arrears on any of his active accounts at the time the credit limit had increased, and he hadn't been since the account was opened.

The checks showed that Mr C's defaulted balances remained similar to the account opening checks at £23,210. There was no other active unsecured debt being reported by the CRA that Vanquis used.

The £1,000 credit limit would have equated to less than 4% of Mr C's originally declared annual income, which I'm not persuaded was excessive. So I'm persuaded that the checks Vanquis carried out were proportionate for the amount of credit they approved for Mr C, and I'm persuaded they made a fair lending decision to approve his application.

#### *September 2018 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 shows that Mr C in a three month period paid £288 towards his Vanquis balance when £178.67 was due in the same period. So this could indicate that Mr C had the affordability to make higher repayments to sustain a higher credit limit. And the checks showed that Mr C was not in arrears on any of his active accounts at the time the credit limit had increased, and he hadn't been since the account was opened.

The data from a CRA shows that Mr C's defaulted balances remained the same as at the time of the last credit limit increase (£23,210), and there were no other active unsecured balances being reported by the CRA that Vanquis used.

The data also shows that Mr C did not have any late payments, and he didn't exceed his credit limit. So I'm persuaded that Vanquis' checks were proportionate here, and that they made a fair lending decision to increase Mr C's credit limit to £2,000.

*April 2021 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 C had exceeded his credit limit on his Vanquis account, and he had made a late payment since the last credit limit increase. So this could be a sign of financial difficulty, or it could just have been a genuine oversight.

Both of these things happened in the same month, and they occurred in 2019 which was almost two years prior to this credit limit increase. There were no other instances of late payments or Mr C exceeding his credit limit after this, prior to the April 2021 credit limit increase, and Mr C returned to making his repayments the following month. So it does appear that Mr C made a genuine oversight here.

The data from a CRA shows that Mr C had unsecured balances of £652 prior to the credit limit increase. The data does show that Mr C had been in arrears on an account he held within the last two months. It could be that this was the water bill Mr C has told us he had difficulties with between June 2020-June 2021, but the data doesn't show what account it was for, although I do note the checks show arrears on and off from June 2020 up to this credit limit increase.

Mr C only paid the minimum repayments for the three months prior to this credit limit increase, so it was not immediately apparent if he would have the disposable income to be able to meet repayments for the higher credit limit. And based on Mr C's recent arrears, I'm persuaded that this should have resulted in Vanquis completing further checks to ensure the lending was affordable and sustainable for Mr C.

One of the things Vanquis could have done was to contact Mr C to get an understanding of why he had recent arrears on an account, and to ensure he had the affordability to meet higher repayments on an increased credit limit. 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 C has provided his bank statements for the three months leading up to the credit limit increase. Mr C's bank statements show a total of £7,749.91 crediting his account, and £7,669.94 debiting his account. So on the surface it would appear he only had  $(£7,749.91 - £7,669.94/3)$  about £26.66 a month on average left after all of his expenditure. But Mr C's statements do show a lot of non-essential outgoings. So it would appear that after Mr C's essential outgoings were met, he would have the affordability to be able to sustain making repayments to a £3,000 credit limit.

So if Vanquis would have made further checks which would have been proportionate here, I'm persuaded that they would have still approved the credit limit increase. And I'm persuaded they made a fair lending decision to increase the credit limit to £3,000.

I've considered what Mr C has said about him needing to take further borrowing in January 2022. But as this was over six months after the credit limit increase, I'm not persuaded that

Vanquis would have been able to foresee any future financial difficulties Mr C would have based on what proportionate checks would have shown.

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 C 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 C to accept or reject my decision before 6 February 2025.

Gregory Sloanes  
**Ombudsman**