

## **Complaint**

Miss E has complained that Vanquis Bank Limited (“Vanquis”) irresponsibly provided a credit card as well as a subsequent credit limit increase to her. She says that this credit was unaffordable as it was provided at a time that she was young and on benefits. She’s also said that the repayments caused her financial difficulty going forward.

## **Background**

Vanquis initially provided Miss E with a credit card, which had a limit of £250, in May 2017. Vanquis subsequently offered to increase Miss E’s credit limit to £500 in September 2017.

In December 2023, Miss E complained saying that the credit card and the limit increase Vanquis provided were unaffordable and caused her continued financial difficulty.

Vanquis did not issue a final response to Miss E’s complaint within eight weeks of receiving it and Miss E chose to refer her complaint to our service as a result. When responding to our request for its file on Miss E’s complaint, Vanquis told us that it believed Miss E had complained too late.

One of our investigators reviewed what Miss E and Vanquis had told us.

He thought that he hadn’t seen enough to be persuaded that Vanquis failed to act fairly and reasonably either when initially providing Miss E with her credit card or the limit increase. So the investigator didn’t recommend that Miss E’s complaint be upheld.

Miss E disagreed with the investigator’s conclusions and asked for an ombudsman to look at her complaint.

## **My findings**

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

### *Basis for my consideration of this complaint*

There are time limits for referring a complaint to the Financial Ombudsman Service. Vanquis has argued that Miss E’s complaint was made too late because she complained more than six years after the decisions to provide the credit card and the credit limit increase as well as more than three years after she ought reasonably to have been aware of her cause to make this complaint.

Our investigator explained why it was reasonable to interpret the complaint as being one alleging that the relationship between her and Vanquis was unfair to her as described in s140A of the Consumer Credit Act 1974 (“CCA”). He also explained why this complaint about an allegedly unfair lending relationship had been made in time.

Having carefully considered everything, I've decided not to uphold Miss E's complaint. Given the reasons for this, I'm satisfied that whether Miss E's complaint about the specific lending decisions was made in time or not has no impact on that outcome.

I'm also in agreement with the investigator that Miss E's complaint should be considered more broadly than just those lending decisions. I consider this to be the case as Miss E has not only complained about the respective decisions to lend but has also alleged that this unfairly caused her financial difficulty going forward.

I'm therefore satisfied that Miss E's complaint can therefore reasonably be interpreted as a complaint about the fairness of her relationship with Vanquis. I acknowledge Vanquis still doesn't agree we can look at Miss E's complaint, but given the outcome I have reached, I do not consider it necessary to make any further comment or reach any findings on these matters.

In deciding what is fair and reasonable in all the circumstances of Miss E's case, I am required to take relevant law into account. As, for the reasons I've explained above, I'm satisfied that Miss E's complaint can be reasonably interpreted as being about the fairness of her relationship with Vanquis, relevant law in this case includes s140A, s140B and s140C of the CCA.

S140A says that a court may make an order under s140B if it determines that the relationship between the creditor (Vanquis) and the debtor (Miss E), arising out of a credit agreement is unfair to the debtor because of one or more of the following, having regard to all matters it thinks relevant:

- any of the terms of the agreement;
- the way in which the creditor has exercised or enforced any of his rights under the agreement;
- any other thing done or not done by or on behalf of the creditor.

Case law shows that a court assesses whether a relationship is unfair at the date of the hearing, or if the credit relationship ended before then, at the date it ended. That assessment has to be performed having regard to the whole history of the relationship. S140B sets out the types of orders a court can make where a credit relationship is found to be unfair – these are wide powers, including reducing the amount owed or requiring a refund, or to do or not do any particular thing.

Given Miss E's complaint, I therefore need to think about whether Vanquis' decision to lend to Miss E and increase her credit limit, or its later actions resulted in the lending relationship between Miss E and Vanquis being unfair to Miss E, such that it ought to have acted to put right the unfairness – and if so whether it did enough to remove that unfairness.

Miss E's relationship with Vanquis is therefore likely to be unfair if it didn't carry out proportionate checks into Miss E's ability to repay what she could owe, in circumstances where doing so would have shown it that the credit card or limit increase was unaffordable, or that it was irresponsible to lend. And if this was the case, Vanquis didn't then somehow remove the unfairness this created.

*Were the decisions to provide the credit card and the subsequent credit limit increase unfair?*

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Miss E's complaint.

I think that it would be helpful for me to set out that we consider what a firm did to check whether any repayments to credit were affordable (asking it to evidence what it did) and then determine whether this was enough for the lender to have made a reasonable decision on whether to lend.

Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify that information – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low, the amount lent was high, or the information the lender had – such as a significantly impaired credit history – suggested the lender needed to know more about a prospective borrower's ability to repay.

That said, I think that it is important for me to explain that our website does not provide a set list of mandated checks that a lender is expected to carry out on every occasion. Indeed, the requirements have not and still do not mandate a list of checks that a lender should use. Any rules, guidance and good industry practice in place over the years has simply set out the types of things that a lender could do when considering whether to lend to a prospective borrower.

It is for a lender to decide which checks it wishes to carry out, although we can form a view on whether we think what was done was fair to the extent it allowed the lender to reasonably understand whether the borrower could make their payments. Furthermore, if we don't think that the lender did enough to establish whether the repayments that a prospective borrower might have to make were affordable, this doesn't on its own mean that a complaint should be upheld.

We would usually only go on to uphold a complaint in circumstances where we were able to recreate what reasonable checks are likely to have shown – typically using information from the consumer – and this clearly shows that the repayments in question were unaffordable.

*Vanquis' decision to provide Miss E with a credit card which had a credit limit of £250 in May 2017*

Vanquis says it initially agreed to Miss E's application after it obtained information on her income and carried out a credit search. And the information obtained indicated that Miss E would be able to make the low monthly repayments due for this credit card. Due to Miss E's account being relatively well managed and the information present on the credit checks it carried out, Miss E was then subsequently offered her credit limit increases.

On the other hand, Miss E says that the credit card and the subsequent limit increase were unaffordable and caused her ongoing hardship.

I've considered what the parties have said.

What's important to note is that Miss E was provided with a revolving credit facility rather than a loan. This means that Vanquis was required to understand whether a credit limit of £250 could be repaid within a reasonable period of time, rather than all in one go. And a credit limit of £250 required relatively small monthly payments in order to clear the full amount owed within a reasonable period of time.

I understand that Miss E concluded that Miss E had a person annual income of around £4,000.00 a year and that her household received a further £10,000.00 or so. Furthermore, the credit search showed that Miss E had a low amount of active credit insofar as she only

had a current account. Although Vanquis' credit check did indicate that Miss E's current account may have been in some form of arrears. that said, I don't think that this in itself means that Miss E shouldn't have been lent to.

Given Miss E's low amount of active credit, Vanquis effectively mitigated the risk of harm by providing such a low credit limit and the other information gathered suggesting that Miss E could repay £250 within a reasonable period of time, I cannot reasonably conclude that Vanquis acted unfairly in providing Miss E with her credit card.

As this is the case, I've not been persuaded that Vanquis' decision to provide Miss E with her credit card was unfair or that it resulted in unfairness going forward.

#### *Vanquis' decision to increase Miss E's credit limit to £500 in September 2017*

As I've explained in the background section of this decision, Vanquis increased Miss E's credit limit to £500 in September 2017. For whatever reason the credit search carried out in September 2017 shows that Miss E had defaulted on an account around 18 months prior. So this was prior to the original decision to lend, even though it does not appear to have shown in the earlier checks.

In any event, while Miss E had defaulted on a credit account some 18 months prior to the limit increase, the total amount she owed to creditors had reduced substantially. This is both in relation to her active commitments as well as her defaulted balance. Therefore, Miss E was proving able to manage her finances as her total indebtedness had reduced since having been provided with her Vanquis credit card.

Furthermore, there wasn't anything in Miss E's card transactions (for example, significant cash withdrawals or unsustainable spending) which ought to have indicated that she was struggling, or that indicated further checks were necessary either. Indeed, I note that Miss E was on the whole making payments commensurate with clearing a balance of £500 within a reasonable period of time.

I accept that Miss E says her actual circumstances at the time were worse than what the information Vanquis obtained showed. I'm sorry to hear about her difficulties. And I sympathise with the difficult time that Miss E says she had. However, I do have to weigh this against the fact that Vanquis didn't know this at the time of making its lending decisions and given what I've said about Miss E's overall management of credit in the period leading up to the increase, it couldn't be expected to know about any of this either.

So overall and having carefully considered everything and while I appreciate that this will disappoint Miss E, I'm satisfied that Vanquis' decision to increase Miss E's credit limit was unfair, or that it resulted in unfairness going forward either.

In reaching my conclusions, I've also noted that Miss E did eventually go on to have difficulty making the payments on her credit card. I've also considered Vanquis's actions when Miss E fell into arrears and it became aware she was having difficulty making her payments. In doing so, it looks like Vanquis initially tried to help Miss E clear her arrears by setting up payment arrangements with her.

However, Miss E says that she subsequently told Vanquis that she wouldn't be able to make any meaningful payments going forward. As a result, Vanquis subsequently terminated the account, which resulted in a permanent freezing of interest, on the card, rather than the temporary freezes that had previously taken place. And Miss E has only been making token payments going forward.

Therefore, from the information I've been provided with, it seems to me that Vanquis did attempt to exercise forbearance in accordance with its regulatory obligations when it became aware of Miss E's difficulty making her payments. Although I note that Miss E's complaint was prompted by Vanquis passing Miss E's debt to a debt collection agency. In these circumstances, it will need to ensure that it, or any party acting on its behalf, continues to exercise forbearance going forward.

Overall, and based on the available evidence I don't find that Miss E's relationship with Vanquis was unfair. I've not been persuaded that Vanquis created unfairness in its relationship with Miss E by irresponsibly lending to her whether when initially agreeing to provide her with a credit card, or in respect of the limit increase. I don't find Vanquis treated Miss E unfairly in any other way either based on what I've seen.

So overall and having considered everything, while I can understand Miss E's sentiments and appreciate why she is unhappy, I'm nonetheless not upholding this complaint. I appreciate this will be very disappointing for Miss E. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

### **My final decision**

For the reasons I've explained, I'm not upholding Miss E's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss E to accept or reject my decision before 24 February 2025.

Jeshen Narayanan  
**Ombudsman**