

The complaint

Mr N has complained about a credit card he took out in June 2019 with Vanquis Bank Limited. He's said the credit card was unaffordable and shouldn't have been approved.

Mr N is represented in bringing his complaint, but for ease I've written as if we've dealt directly with him throughout.

What happened

Mr N took out this Vanquis credit card account in June 2019 with a credit limit of £500. The credit limit was increased to £850 in July 2021 and to £1,450 in December 2021.

Due to arrears on the account, Vanquis issued a Notice of Default in April 2022. The debt was then sold to a third-party company in June 2023.

In April 2024, Mr N complained to Vanquis to say the credit card should never have been provided to him. Vanquis didn't think it had acted unfairly when lending to Mr N.

Our investigator didn't recommend the complaint be upheld. He thought Vanquis had carried out reasonable and proportionate affordability checks, and Vanquis made a fair decision to lend each time.

Mr N didn't agree, so the complaint has been passed to me to decide.

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.

The Financial Conduct Authority (FCA) sets out in a part of its handbook known as CONC what lenders must do when deciding whether or not to lend to a consumer. In summary, a firm must consider a customer's ability to make repayments under the agreement without having to borrow further to meet repayments or default on other obligations, and without the repayments having a significant adverse impact on the customer's financial situation.

CONC says a firm must carry out checks which are proportionate to the individual circumstances of each case. What is proportionate will vary with each lending decision and considers things such as (but not limited to): the amount of credit, the size of the repayments, the cost of the credit, the purpose the credit was taken out for and the consumer's circumstances.

What's important to note is that Mr N was provided with a revolving credit facility rather than a loan. And this means that to start with Vanquis was required to understand whether a credit limit of £500 (and then £850 and £1,450) could be repaid within a reasonable period of time, rather than all in one go. A credit limit of even £1,450 didn't require huge monthly payments in order to clear the full amount owed within a reasonable period of time.

Vanquis asked Mr N for information when he applied for this credit card in 2019, including

his income, employment status and residential status. Vanquis also obtained a credit report for Mr N in order to establish what his current credit commitments were and how he'd been managing those commitments.

Mr N wasn't an existing customer of Vanquis. He declared on the application he was employed, with an income of £27,000, and he said he was a tenant paying £60 a month rent. His active credit commitments were shown to be an unsecured loan which he'd taken out in 2016 that had a monthly payment of £296, three current accounts one of which had a £2,000 overdraft limit £1,489 of which had been utilised, and a communications account. Although Mr N had a CCJ and various defaults, those all dated back to 2016 and 2017, with none more recently.

Having completed these checks, Vanquis decided that Mr N could afford a card with a credit limit of £500. I think these checks were proportionate given the credit offered and Mr N's circumstances.

I also think that Vanquis made a fair lending decision in the circumstances too. At the time Mr N had £2,000 of revolving credit available (which was an overdraft) and he was using around £1,490 of it. The only other outstanding debt Mr N had was an unsecured loan he had held since 2016 which had an outstanding balance of around £5,300. As I said, whilst Mr N did have defaults in the past, the most recent of them had been recorded two years earlier and would not make Vanquis' decision to lend wrong or unaffordable. Just because a consumer has historically had financial difficulties it does not mean that they should never again be offered credit. If that consumer has been able to stabilise their financial position and can afford the finance, then it would be inappropriate for a lender to refuse credit simply because there had been a problem in the past. Overall, I am not persuaded that the limited recent, or more significant historical, adverse data on Mr N's credit file was reason to prevent him from having a modest line of credit.

The credit limit was increased in July 2021 to £850 and Vanquis completed further checks at the time. Vanquis looked at Mr P's overall credit commitments and assessed how he had maintained his account with it. Mr N wasn't using his full credit limit, with a balance of £335 against the credit limit of £500. Whilst he'd had some problems with his Vanquis card in 2019 and 2020, Mr N had run the account well since April 2020, other than one late payment fee in October 2020. It updated the information it held about Mr N's circumstances which shows income of £2,400 a month, and expenditure of £1,071 a month.

Given the increase in the credit limit of £350 being offered, I am satisfied that these checks were proportionate in the circumstances.

The credit limit was increased in December 2021 to £1,450 and Vanquis completed further checks at the time and again looked at Mr P's overall credit commitments and assessed how he had maintained his account with it. Mr N still wasn't using his full credit limit, with a balance of £710 against the credit limit of £850, and he'd had no further problems with his Vanquis card. It updated the information it held about Mr N's circumstances which showed income of £2,100 a month, and expenditure of £1,805 a month.

Given the increase in the credit limit of £600 being offered, I am satisfied that these checks were proportionate in the circumstances.

For both the 2021 credit limit increases, the income and expenditure showed that Mr P had a disposable income that would have given him the capacity to take on the higher credit limit each time. For the first increase Mr P's active external debts had been reduced to less than a £10 balance, but by the second increase they'd gone up to around £29,500. This appears

to have been because of a debt taken out in late 2021 which took the external debt at that time from around £1,000 to £29,500.

Whilst Mr P had taken on that additional credit facility before the last credit limit increase this was still a relatively modest credit limit increase when comparing the required additional payments to Mr P's income, and he had maintained his payments to Vanquis since April 2020 (with only that one late payment in October 2020). Even with the increased external debt I'm satisfied the December 2021 increase was affordable and sustainable. Having considered everything very carefully I'm not persuaded that Vanquis' decisions to increase Mr N's credit limit in July 2021 and December 2021 were irresponsible or that the new credit limits were unaffordable.

I note that Mr N has said that his financial situation was worse than was shown by the information Vanquis had. If that was the case, Vanquis didn't know this at the time it made the lending decisions and, as I have said above, I am satisfied that the checks it made were proportionate and so it couldn't be expected to have known if Mr N didn't tell it.

I also note that whilst Mr N struggled to meet his payments after the December 2021 increase, he told Vanquis at the time that this was because his employer hadn't paid him for a couple of months, and after that he said he was paid short. From that it seems it was a change in circumstances that led to the difficulties Mr N had in paying, rather than the lending being irresponsible.

Overall, I am not persuaded that Vanquis lent to Mr N in an irresponsible manner or that it treated him unfairly. In reaching my conclusions, I've also considered whether the lending relationship between Vanquis and Mr N might have been unfair under section 140A of the Consumer Credit Act 1974. However, for the reasons I've explained, I don't think Vanquis irresponsibly lent to Mr N or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that section 140A or anything else would, given the facts of this complaint, lead to a different outcome here. I'm therefore not upholding Mr N's complaint.

I appreciate this is likely to be very disappointing for Mr N but I hope he'll understand the reasons for my decision.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 8 April 2025.

Julia Meadows
Ombudsman