

Complaint

Mr Q has complained about a credit card Vanquis Bank Limited (“Vanquis”) provided to him. He says the credit card and limit increase should not have been provided to him as they were unaffordable.

Background

In May 2019, Vanquis provided Mr Q with a credit card which had a limit of £1,000.00. Mr Q’s credit limit was increased to £2,200.00 in June 2021.

One of our investigators reviewed what Mr Q and Vanquis had told us. And she thought Vanquis hadn’t done anything wrong or treated Mr Q unfairly in relation to providing the credit card or increasing the credit limit. So she didn’t recommend that Mr Q’s complaint be upheld.

Mr Q disagreed and asked for an ombudsman to look at the 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.

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 Mr Q’s complaint.

Having carefully considered everything, I’ve decided not to uphold Mr Q’s complaint. I’ll explain why in a little more detail.

Vanquis needed to make sure it didn’t lend irresponsibly. In practice, what this means is Vanquis needed to carry out proportionate checks to be able to understand whether Mr Q could afford to repay any credit it provided.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. 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 it – 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 or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to lend to a customer irresponsibly.

Vanquis says it initially agreed to Mr Q’s application after it obtained information on his income and carried out a credit search. And the information obtained indicated that Mr Q would be able to make the monthly repayments due for this credit card. It says that due to Mr Q’s account being relatively well managed he was then offered the subsequent credit limit increase.

On the other hand Mr Q says that he shouldn't have been lent to.

I've considered what the parties have said.

What's important to note is that Mr Q 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 £1,000.00 could be repaid within a reasonable period of time, rather than all in one go. A credit limit of £1,000.00 did not require huge monthly payments in order to clear the full amount owed within a reasonable period of time.

I've seen records of the information Vanquis obtained from Mr Q about his income and what was on the credit search carried out. Vanquis says that Mr Q declared that he was employed full time and received a salary of £12,000.00 a year. Furthermore, it also looks like that credit check didn't show any adverse information such as defaulted accounts or county court judgments ("CCJ") recorded against Mr Q. And the credit that Mr Q did have was being relatively well managed.

Bearing in mind there wasn't anything in this information that was inconsistent or difficult to explain, I don't think that it was unreasonable for Vanquis to rely on what Mr Q provided about his income and expenditure during his application. As this is the case and the information obtained suggested that Mr Q could repay a balance of £1,000.00 within a reasonable period of time, I'm satisfied that the checks carried out before Mr Q was initially provided with his credit card were reasonable and proportionate.

For the credit limit increase, it appears as though Vanquis relied on Mr Q's account having been managed well in the period since it had been opened. I'm not necessarily persuaded that this was an indication that Mr Q should be lent up to a further £1,200.00, or that this in itself meant that he could repay £2,200.00 within a reasonable period of time. However, I'm also mindful that there still wasn't anything in the way of significant adverse information on the credit search Vanquis carried out. And Mr Q's external debt had decreased substantially since his initial card application was made.

So although I think that there were some potential signs that Vanquis needed to monitor going forward, in terms of his actual repayment record once the limit increase was granted, there is an argument for saying that it was reasonable for Vanquis to conclude that Mr Q was in a position to afford the increased payments required for the credit limit increase.

In any event, even if I were to conclude that the checks carried out weren't sufficient, I don't think that Vanquis would have made a different decision even if it had asked Mr Q for more information. I say this because at the absolute most it could be said that Vanquis ought to have asked Mr Q more about his actual living costs rather than relied on estimates on this.

However, the information Mr Q has provided about his finances at the time appears to show that when his committed regular living expenses and existing credit commitments were deducted from his income, he did have the funds, at the time at least, to sustainably make the repayments needed to clear the amount he could owe within a reasonable period.

So, in these circumstances, it's difficult for me to conclude that Vanquis would have determined that Mr Q didn't have sufficient funds to make the repayments for the increased credit limit. This is even if it had tried to find out more about his circumstances at the time.

It's possible that Mr Q's position might have been worse than what it looks like, or that it worsened after the credit limit increase took place. But any difficulty Mr Q did go on to have making his payments aren't to do with his committed non-discretionary expenditure and

having looked at the bank statements he's provided, I have my suspicions on what may have caused this.

However, it wouldn't be fair and reasonable for me to use hindsight here, or say that Vanquis should have known about this. This is especially as the available information indicates proportionate checks would more likely than not have shown that Mr Q could repay what he could owe at the time the lending decisions were made. And, in any event, saying that Vanquis should have obtained bank statements wouldn't be fair and reasonable here.

In reaching my conclusions, I've also considered whether the lending relationship between Vanquis and Mr Q might have been unfair to Mr Q under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I've not been persuaded that Vanquis irresponsibly lent to Mr Q or otherwise treated him unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

So overall while I can understand Mr Q's sentiments, I don't think that Vanquis treated Mr Q unfairly or unreasonably when providing him with his credit card or subsequently increasing his credit limit. And I'm not upholding Mr Q's complaint. I appreciate this will be very disappointing for Mr Q. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mr Q's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr Q to accept or reject my decision before 10 January 2025.

Jeshen Narayanan
Ombudsman