

The complaint

Mr T, through a representative, says Vanquis Bank Limited irresponsibly lent to him.

What happened

Mr T took out a credit card in June 2021. He was given a £1,000 limit that was increased to £1,500 in November 2021.

Mr T says his financial position was such that he should not have been given this card.

Vanquis says it completed proportionate checks that showed the credit would be affordable.

Our investigator did not uphold Mr T's complaint. He said the lender's checks were not proportionate but better checks would have shown the credit to be affordable.

Mr T disagreed and asked for an ombudsman's review.

I reached the same conclusion as the investigator but relied on different findings. So I issued a provisional decision and asked the parties to send any comments or new evidence.

Extract from my provisional decision

Vanquis has shared the results of the checks it carried out prior to opening Mr T's account and prior to increasing his limit.

At application it asked Mr T for his annual income and verified this externally via one of the credit reference agencies. It also asked for his housing costs. It estimated his living costs. It reviewed his existing credit commitments and repayment history by running a credit check. Based on the results of these checks combined it concluded Mr T would be able to afford a £1,000 opening credit limit, assuming this would mean a monthly cost to him of £64.

I think these checks were proportionate given the opening limit and the stage in the lending relationship. And I think Vanquis made a fair lending decision based on the information it gathered. I'll explain why.

It learnt Mr T's monthly net income was £1,792, his housing costs were £450 and his estimated living costs were £470. The credit check showed he needed around £140 a month to manage his existing commitments. So I think it was reasonable to conclude an additional £64 of cost each month would be sustainably affordable for Mr T.

I can see from the credit check that Mr T had two CCJs but they were from 2016 and 2017 and the most recent had been settled in full. Based on the historic nature of that adverse data, I don't think it was a reason not to lend given the other results. Mr T's current debt level was low at around £3,000 and his active accounts were all up-to-date. The checks also showed he had overdraft facilities totalling £5,500 but was using just 12% of that available credit. And his credit/store cards were 45% utilised. There was no evidence of payday lending. In the round, I am satisfied the credit check did not show signs of any current

financial strain.

It follows I think it was fair for Vanquis to open the account with a £1,000 credit limit.

When it increased Mr T's limit Vanquis has evidenced that it updated its income and expenditure assessment and ran a new credit check. I think these checks were reasonable and the analysis showed that Mr T had the disposable income to take on an extra £500 credit. The credit check showed there was no new adverse data on his file. It could see he had missed a payment for one month but that was 20 months before. His debt level had increased to £7,000 but it was well-managed - and his salary had also increased substantially.

Vanquis also looked at how Mr T was using the account – at this stage he had incurred no over limit or late fees and he made more than the contractual minimum repayment frequently. So in the round there were no indicators that Mr T was struggling financially in any way.

So I find it was fair for Vanquis to increase Mr T's limit.

I've also considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Vanquis lent irresponsibly to Mr T 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.

Neither party responded to my provisional decision.

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.

Our approach to complaints about unaffordable/irresponsible lending is set out on our website and I have followed it here.

As neither party sent in any comments or new evidence for me to consider I have no reason to change the findings or outcome in my provisional decision.

It follows for the reasons set out above I do not find Vanquis was wrong to lend to Mr T.

My final decision

I am not upholding Mr T's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 2 January 2025.

Rebecca Connelley
Ombudsman