

## The complaint

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

## What happened

Mr C took out a credit card from Vanquis in May 2013. He was given an opening credit limit of £500. He then received six credit limit increases as set out below:

increase	date	value
1	10/10/2013	£1,000
2	10/03/2014	£1,750
3	11/08/2014	£2,500
4	12/01/2015	£3,000
5	12/01/2016	£3,500
6	09/08/2016	£4,000

Mr C says Vanquis failed in its obligation to lend to him responsibly given his financial circumstances at the time. Its checks were not thorough enough. And important clauses in the agreement were not given the right prominence. The relationship was not fair.

Vanquis says at each stage it carried out checks proportionate to the amount of credit being offered. And all the key information was made available to Mr C in the pre-contract information, the loan agreement and the welcome pack.

Our investigator did not uphold Mr C's complaint. He said Vanquis' checks at application were proportionate and it made a fair lending decision. For increases 1 to 3 he found the checks were not adequate, but Vanquis could fairly have made the same decisions had it completed better checks. For increases 4 to 6 he also found the checks were not adequate. But he did not have the evidence needed to conclude Vanquis made the wrong lending decisions.

Mr C disagreed with this assessment and asked for an ombudsman's review. He said he never asked for any of the credit limit increases and only when he had spent the limit and realised how much the interest rate was, did he stop using the card and try to pay off the balance.

## 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.

I want to reassure Mr C's representative that I have considered all of its comments carefully. But in keeping with our role as an informal dispute resolution service and as our rules allow, I will focus here on the points I find to be material to the outcome of Mr C's complaint.

Vanquis will be familiar with all the rules, regulations and good industry practice we

consider when looking at a complaint about unaffordable and irresponsible lending. So, I don't consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

To decide if Vanquis lent responsibly I need to consider if its checks were proportionate; if not what would better checks most likely have shown; did it make fair lending decisions; and finally, did it treat Mr C unfairly in some other way.

I can see Vanquis reviewed certain information before lending to Mr C. At the point of application it asked Mr C about his annual income and his employment status. It carried out a credit check to understand his credit history and existing credit commitments. At the time of each limit increase Vanquis refreshed its credit check and reviewed Mr C's internal account management. From these checks combined Vanquis calculated the amount of credit that would be affordable for Mr C.

#### *Application and initial limit of £500*

I think the checks were initially reasonable given the stage in the lending relationship and the amount of credit involved. But based on some of the results I think Vanquis needed to do more before lending. I say this because the credit check showed Mr C, whilst not over-indebted, was in an arrangement to pay on a credit card.

In cases like this we look at bank statements from the three months prior. I am not saying Vanquis had to do exactly this but it is a reliable way for me to understand what better checks would most likely have shown. These show Mr C's average monthly income was around £2,070 and his existing credit commitments were a loan repayment of £156 and he was paying £80 to his credit card. So he had the disposable income needed to cover his non-discretionary expenditure and the cost of this new card. There were no indications of financial strain such the persistent (or indeed any) use of an overdraft, payday loans or returned direct debits. So I think had Vanquis completed proportionate checks it could fairly have concluded Mr C could afford the card with its maximum repayment of £25 a month.

It follows I don't think Vanquis was wrong to open the account for Mr C.

#### *Limit increases 1-3*

Like the investigator, I have considered these three increases together as Mr C's circumstances were largely the same. Vanquis knew from the credit checks that Mr C's external debt was decreasing over this time period and no new adverse information had been added. But it was also aware that on its card Mr C had missed two payments (that he then caught up), been overlimit once and on occasion used his card to withdraw cash. This can, but is not necessarily, an indicator of financial strain. So I find that based on Mr C's account management, that Vanquis has told us it reviewed before each limit increase, further checks were needed.

As I said above, in cases like this we look at bank statements from the three months prior as a proxy for what Vanquis would most likely have learnt had it completed proportionate checks. For the same reasons as at the time of application I think Vanquis could fairly have made the same lending decisions had it carried out better checks. The statements show there had been no changes to Mr C's circumstances – his income had not increased or decreased, his credit commitments were still £236 and there were no indicators of actual, or pending, financial difficulties. So I think it would have been reasonable for Vanquis to conclude Mr C could sustainably afford these three limit increases.

It follows I don't think Vanquis was wrong to give the limit increases 1-3 to Mr C.

### *Limit increases 4-6*

My findings here are similar to the previous limit increases. Mr C's external credit use showed no concerning signs during the period of the last three increases, his total debt stayed stable at around £5,000. But on this card he had been overlimit twice and had continued to withdraw cash on his card – in fact, twice as much as before. So I again think it would have been proportionate for Vanquis to carry out fuller financial reviews prior to increasing Mr C's limit.

Mr C has been unable to provide bank statements that cover this time period so I cannot know what better checks would have likely shown the lender. This means based on the available evidence I cannot fairly conclude Vanquis was wrong to provide the limit increases 4-6.

### *Did Vanquis act unfairly towards Mr C in some other way?*

Mr C has said he never asked for any of the credit limit increases. But he was given advance notification of each planned increase and had the opportunity to maintain his limit at the existing level on each occasion. So I cannot find Vanquis was at fault in this regard.

He also referenced how high the interest rate was and how important information was not prominent in the documentation. But Vanquis has confirmed all key information was clearly set out in the pre-contract credit information, the loan agreement and the welcome pack. And the interest rate(s) were on each monthly statement. So I think Mr C would have been aware of what he was agreeing to pay.

Finally, 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 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.

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.

Rebecca Connelley  
**Ombudsman**