

The complaint

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

What happened

Mr L took out a credit card from Vanquis on 7 October 2019. He was given a £1,000 credit limit. This was subsequently reduced to £450 and then increased to £900 on 17 January 2023 and £1,550 on 17 August 2023.

Mr L says Vanquis lent to him without doing the necessary due diligence. And there was a lack of transparency when it increased his limit. He was informed of the increase, rather than being given the option to request it.

Vanquis says it carried out proportionate checks at each stage that showed the credit would be affordable for Mr L. And prior to the two increases it contacted him with the offer to increase his credit limit, dependent upon the completion of an income and expenditure assessment. It gave Mr L 30 days to respond to its offer and he did so.

Our investigator did not uphold Mr L's complaint. She said the lender's checks were proportionate and did not reveal any reason for Vanquis not to lend to Mr L.

Mr L disagreed with this assessment and asked for an ombudsman's review. He said, in summary, Vanquis' approach failed to account for critical aspects of his financial circumstances at the time. Specifically, his over reliance on credit which suggested he was under financial strain and needed credit to for everyday expenses, or to repay other debts. His bank statements showed gambling transactions – an indicator of potential financial vulnerability, and this should have been a red flag. In the circumstances Vanquis' checks were not thorough enough.

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.

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 L unfairly in some other way.

Vanquis has shared the results of the checks it carried out prior to opening Mr L's account and prior to increasing his limit.

At application it asked Mr L for his annual income and 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 L would be able to afford a £1,000 opening credit limit, assuming this would mean a monthly cost to him of £59.

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 L's monthly net income was £2,278, his housing costs were £440 and his estimated living costs were £758. The credit check showed he needed £333 a month to manage his existing commitments. So I think it was reasonable to conclude an additional £59 of cost each month would be sustainably affordable for Mr L.

I can see from the credit check that Mr L had a CCJ that had been settled in 2015 and a default from 23 months ago that had just £40 still outstanding. 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 L's current debt level was not excessive at around £5,900 and his active accounts were all up-to-date. The check showed he was not using an overdraft facility. 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 L'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 L had the disposable income to make the limits offered affordable - £614.64 in January 2023 and £992.79 in August 2023.

At the time of the first increase the credit check showed Mr L had defaulted on an account in January 2022, but that was by then a year ago and he was repaying that debt so it seems his finances had stabilised. At the time of the second increase there was no new significant adverse data on his file. His debt level had increased to £13,030 but his accounts seemed well-managed. It had fallen to £6,804 at the time of the second increase. In the round I think it was fair for Vanquis to conclude Mr L could afford the increases – his credit limit always remained low relative to his income. Vanquis also looked at how Mr L was using the account and he had incurred no over limit or late fees. So in the round there were no indicators from its checks that Mr L was struggling financially.

So I don't think Vanquis was wrong to increase Mr L's limit in either instance.

Mr L says that his bank statements showed financial instability with instances of online gambling. But as I have not found that Vanquis needed to complete a fuller financial review and request bank statements, this is not something it would have been aware of. To be clear, I am not saying I doubt Mr L's testimony that he was under pressure, rather that given the value of this borrowing his would not have been proportionate for Vanquis to carry out the level of checks needed to maybe discover this.

Did Vanquis act unfairly towards Mr L in some other way?

Mr L says the limit increase process was not transparent, he was informed about the change rather than being given an option. But Vanquis has explained that it contacted Mr L in advance to offer the increases, and they were only given after he supplied new data for the affordability assessment. So I am satisfied the process was transparent and Mr L had a choice.

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 L 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.

My final decision

I am not upholding Mr L's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 14 February 2025.

Rebecca Connelley
Ombudsman