

The complaint

Miss S complains that Vanquis Bank Limited was irresponsible in its lending to her. She wants all interest and charges refunded along with 8% simple interest and any adverse information relating to the account removed from her credit file.

Miss S is represented by a third-party but for ease of reference I have referred to Miss S throughout this decision.

What happened

Miss S opened a credit card account with Vanquis Bank in November 2020, and she was provided with a credit limit of £750. The credit limit was increased on two occasions, first in August 2021 to £1,300 and then in January 2022 to £2,250. Miss S said that at the time of the lending she had other accounts that were with debt collection companies and her credit file showed she had missed payments on her other credit commitments. She said that adequate checks weren't carried out to ensure the additional lending was affordable for her.

Vanquis Bank issued a final response letter dated 18 June 2024. It said it made its lending decisions based on a strict criteria which assessed an individual's personal circumstances. It said that when Miss S applied for an account, she said she had an annual income of £22,000. It noted her credit report showed no county court judgements and that she hadn't defaulted on her debt. It said Miss S's non-mortgage lending was £1,100. It said that following its checks it offered Miss S an account with a modest credit limit of £750. Vanquis Bank said that before the credit limit increases were applied it carried out further checks.

Vanquis Bank said that proportionate checks were carried out before the lending was provided and based on the information available to it at the time, the lending was responsible.

Miss S referred her complaint to this service.

Our investigator thought that the checks carried out before the lending was provided were proportionate and as these didn't raise concerns about the affordability of the lending, she didn't uphold this complaint.

Miss S didn't agree with our investigator's view. She said that while there were no defaults recorded on her credit file before the account was opened, adverse data was recorded in the months before the credit limit increases. Given this she thought that further checks should have taken place.

Our investigator noted the comments made but as these didn't change her view, this complaint has been passed to me, an ombudsman, to issue a 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 general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

Before the account was opened with a £750 credit limit, Vanquis Bank gathered information about Miss S's income and housing costs and carried out a credit check. Miss S declared that she had an annual income of £22,000 and monthly housing costs of £390. The credit check showed that she had £1,100 of outstanding debt and her monthly credit commitments were calculated as £40. Estimates were then used for Miss S's other expenditure and general living costs. Vanquis said that deducting Miss S's costs including repayments for this account and a buffer from her monthly income gave a monthly disposable income of £325.

Considering the size of the credit limit being provided compared to Miss S's income and noting that the credit check showed that she was generally managing her existing credit commitments well, with no defaults or county court judgements recorded, and she wasn't overindebted, I find the checks carried out before the account was opened were reasonable. As the information received through the checks suggested the lending was affordable, I do not find I can say that Vanquis Bank was wrong to provide the account with a £750 credit limit.

In August 2021, Vanquis Bank offered to increase Miss S's credit limit to £1,300. Before the increase was offered, Miss S had been managing her account well with no overlimit or late charges applied. She was operating comfortably within the credit limit, and she had made more than the minimum required payments. Her credit check showed no defaults or recent missed payments and there had been no substantial increase in her outstanding debts. Given this, I do not find that further checks were needed at this time and as, based on the information previously gathered, the additional lending appeared affordable, I do not find I can say that Vanquis Bank was wrong to provide this credit limit increase.

In January 2022, Vanquis Bank offered to increase Miss S's credit limit to £2,250. A credit check was carried out and this didn't record any defaults or recent missed payments. While Miss S's total outstanding balances had increased to around £2,844, I do not find that they were at a level that should have raised concerns. Miss S's account management also didn't raise concerns with no late or overlimit charges being applied. Miss S's account utilisation had increased but this was still within the credit limit, and she was still making payments above the minimum amount required. Taking all this into account, I find the checks carried out before the limit increase was applied were reasonable and as these didn't raise concerns that meant the additional lending shouldn't have been provided or further checks were needed, I do not find I can say that Vanquis Bank acted irresponsibly by providing the increased credit limit.

For the reasons set out above, I do not find I can say Vanquis Bank acted irresponsibly in its lending to Miss S and so I do not uphold this complaint.

I've also considered whether Vanquis acted unfairly or unreasonably in some other way given what Miss S has complained about, including whether its relationship with Miss S 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 Bank lent irresponsibly to Miss S or otherwise treated her 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

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 4 March 2025.

Jane Archer
Ombudsman