

The complaint

Mr G complains that Vanquis Bank Limited irresponsibly lent to him.

Mr G is represented by a solicitors firm in bringing this complaint. But for ease of reading, I'll refer to any submission and comments they have made as being made by Mr G himself.

What happened

Mr G was approved for a Vanquis credit card in October 2018 with a £500 credit limit. I have detailed the credit limit changes below:

October 2020	£500 to £2,000
April 2022	£2,000 to £3,000

Mr G says that Vanquis irresponsibly lent to him, and he made a complaint to Vanquis, who did not uphold his complaint. Vanquis said appropriate checks were made which were proportionate to the amount of credit being granted. Mr G brought his complaint to our service.

Our investigator did not uphold Mr G's complaint. She said that Vanquis made lending decisions. Mr G asked for an ombudsman to review his complaint. He made a number of points. In summary, he said given the evidence of financial strain, including negative balances in his bank account three months prior to the second credit limit increase, he believed that a more thorough assessment was necessary to determine his financial stability.

Mr G said he would be overindebted based on Vanquis calculating he had £161 of disposable income if he utilised the full credit limit. Mr G said his bank statements showed periods of negative balances in February 2022, and the decision to increase his credit limit to £3,000 exposed him to being overindebted.

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.

Before agreeing to approve or increase the credit available to Mr G, Vanquis needed to make proportionate checks to determine whether the credit was affordable and sustainable for him. There's no prescribed list of checks a lender should make. But the kind of things I expect lenders to consider include - but are not limited to: the type and amount of credit, the borrower's income and credit history, the amount and frequency of repayments, as well as the consumer's personal circumstances. I've listed below what checks Vanquis have done and whether I'm persuaded these checks were proportionate.

Acceptance for the Vanquis credit card - initial credit limit (£500)

I've looked at what checks Vanquis said they did when initially approving Mr G's application. I'll address the credit limit increases later on. Vanquis said they completed a credit check

with a Credit Reference Agency (CRA) and information that Mr G had provided before approving his application.

The information showed that Mr G declared a gross annual income of £20,000. But the information also showed Mr G had previously defaulted on credit agreements, with the last default being registered 27 months prior to his application checks.

It may help to explain here that, while information like a default on someone's credit file may often mean they're not granted further credit – they don't automatically mean that a lender won't offer borrowing. So I've looked at what other checks Vanquis made to see if they made a fair lending decision.

The checks showed that Mr G had total active unsecured balances of £0. The £500 credit limit would have equated to 2.5% of Mr G's declared annual gross income, which I'm not persuaded was excessive given that he had no active credit cards when the checks were made.

So I'm persuaded that the checks Vanquis carried out were proportionate for the amount of credit they approved for Mr G, and I'm persuaded they made a fair lending decision to approve the initial credit limit.

October 2020 credit limit increase - £500 to £2,000

I've looked at what checks Vanquis said they did as part of this lending decision. The CRA reported that Mr G had active unsecured balances of £336 at the time they completed their checks.

No active accounts were in arrears at the time of the checks, and no active accounts had been in arrears for the six months prior to the checks as reported by the CRA Vanquis used. Vanquis would also have been able to see how Mr G used his Vanquis account since account opening.

Mr G had incurred a number of overlimit fees since he opened the account, and two late payment fees. So this could be a sign of financial difficulty, or it could be poor mismanagement of the account.

So as the credit limit was quadrupling, and due to the account management of his Vanquis account, I'm persuaded that Vanquis should have completed further checks to ensure the credit limit increase would be affordable and sustainable for Mr G.

One of the things Vanquis could have done was to contact Mr G to get an understanding of why he had a number of times that he exceeded his credit limit, and why he was late with his payment. Or Vanquis could have asked for his bank statements as part of a proportionate check to ensure the lending was sustainable and affordable for him.

Mr G has provided his bank statements leading up to the approval of this lending decision. But as one of the statements was in the month Vanquis approved the credit, this wouldn't have been produced prior to the credit limit increase.

The statements that I do have prior to this credit limit increase shows that Mr G had a £200 arranged overdraft limit at the time Vanquis completed their checks. Mr G sometimes entered his arranged overdraft, but he didn't exceed his arranged overdraft limit. There were also no returned direct debits showing on the statements just prior to this lending decision.

The statements showed non-essential spending which suggested that Mr G did have disposable income. So it didn't appear that Mr G was in financial difficulty just prior to this credit limit increase. So if Vanquis had requested Mr G's bank statements as part of a proportionate check, I'm persuaded that they still would have approved the credit limit increase. And I'm persuaded that Vanquis made a fair lending decision to increase the credit limit here.

April 2022 credit limit increase - £2,000 to £3,000

I've looked at what checks Vanquis said they did as part of this lending decision. The CRA reported that Mr G had active unsecured balances of £855 at the time they completed their checks.

No active accounts were in arrears at the time of the checks, and no active accounts had been in arrears for the six months prior to the checks as reported by the CRA Vanquis used. Vanquis would also have been able to see how Mr G used his Vanquis account since the last credit limit increase.

Mr G had not incurred any late payment fees or overlimit fees in the six months prior to this credit limit increase. The data also shows that in January 2022, Mr G made a debit card repayment of £501.40, which I wouldn't expect him to be able to make if he was having any financial difficulty at the time. And this wasn't the only time he made higher repayments than his minimum repayment.

Mr G declared that his total expenditure was £550 a month. So based on the £1,200 net a month income he told Vanquis he received around this time, it would appear that Mr G had £650 a month disposable income available to meet repayments on a £3,000 credit limit.

But Vanquis did not just take Mr G's word for his expenditure as they calculated a higher expenditure for Mr G. The calculation Vanquis completed for Mr G included Mr G's declared costs, his credit commitments, and a buffer. So after Vanquis had completed their calculation, their figures showed Mr G would have around £161 a month of disposable income.

I've considered what Mr G has said that he would be overindebted if he used the full £3,000 credit limit. But as Vanquis' figures took into account his credit commitments, and it included a buffer, it would appear that he would be able to sustainably afford repayments to the account even if he did use the full credit limit. He had already been paying more than his minimum repayment, including the larger repayment only months earlier.

So it wouldn't have been proportionate for Vanquis to make further checks prior to this lending decision such as requesting his bank statements. Mr G did not appear reliant on credit as Vanquis' checks showed that in March 2022, the month prior to this credit limit increase, Mr G had used 22% of his available credit on his Vanquis account.

So I'm persuaded that the checks Vanquis completed here were proportionate, and they made a fair lending decision to increase Mr G's credit limit here.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I can't conclude that Vanquis lent irresponsibly to Mr G 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. So it follows I don't require Vanquis to do anything further.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 27 March 2025.

Gregory Sloanes
Ombudsman