

The complaint

Mr M complains Vanquis Bank Limited (Vanquis) acted irresponsibly when it provided a credit card facility to him.

What happened

Mr M says he applied for a credit card with Vanquis in March 2021 and was already under financial pressure at that time and a credit limit of £250 was approved. Mr M says Vanquis then subsequently increased his credit limit on two further occasions in March 2022 to £500 and January 2023 to £850 without carrying out any comprehensive checks on the affordability of those increases.

Mr M believes if Vanquis had carried out more thorough affordability checks it would have seen that he was already financially committed and unable to meet the higher minimum monthly payments and that his external borrowings had risen over this time. Mr M says it was Vanquis who offered the credit limit increases rather than him requesting them.

Mr M says this has contributed to him struggling to meet his financial commitments, creating considerable stress and worry over this matter. Mr M wants Vanquis to refund all interest and charges along with 8% simple interest on that sum. Mr M also wants Vanquis to remove any adverse entries on his credit file.

Vanquis says it is considered to be a “low and grow” lender enabling individuals to build their credit ratings and it rewards good account management. Vanquis says all applications are assessed individually using credit scoring, which assesses ability to pay based on information provided by the applicant.

Vanquis says at the time of the original application there were no county court judgments (CCJ's) within the last 25 months and no defaults on any debts for 42 months. Vanquis says when the two credit limits were increased in March 2022 and January 2023 the account had been well maintained, with no defaults or new CCJ's and further income and expenditure assessments were carried out showing Mr M could afford the new limits approved. Vanquis says Mr M's external debt wasn't high in relation to the income he had declared at those times.

Vanquis says it carried out proportionate checks to the amount of credit provided.

Mr M wasn't happy with Vanquis's response and referred the matter to this service.

The investigator looked at all the available information but didn't uphold the complaint. The investigator felt that the checks Vanquis carried out were reasonable and proportionate to the level of debt Mr M had applied for. The investigator says when Mr M originally applied for the credit card, a modest limit of £250 was approved and while there was some adverse data, this was over two years ago and therefore considered historic. The investigator felt the initial limit of £250 was proportionate to the income and expenditure Mr M had declared at the time he applied.

As far as the two subsequent credit limit increases were concerned in 2022 to £500 and 2023 to £850, the investigator says the account had been well maintained with occasions showing Mr M had paid back more than the minimum payments required. The investigator felt that although the level of external debt had increased at the time, there were no new CCJ's, or defaults recorded and Mr M's new income and expenditure at those times showed he could afford the new borrowing approved. The investigator says there was no evidence to suggest Mr M was struggling financially at that time, so she couldn't say Vanquis had acted unfairly when it increased the limits when it did.

Mr M didn't agree with the investigator's view and asked for the matter to be referred to an ombudsman for a final 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.

Having done so, I won't be upholding this complaint and I will explain how I have come to my decision.

I was sorry to learn Mr M is experiencing financial problems, and that this has impacted his mental well-being, and this must be a difficult time for him. When looking at this complaint I will consider if Vanquis took reasonable and proportionate steps to check the affordability of the credit card facilities and credit limit increases it granted Mr M.

The centre of Mr M's complaint is that Vanquis didn't carry out sufficient or robust financial affordability checks before it approved the initial credit limit on his credit card in March 2021 and the subsequent credit limit increases in March 2022 and January 2023.

While I understand the points Mr M makes here it's worth pointing out that there is no set rules as to what affordability checks a business must undertake before providing any credit, only that these are reasonable and proportionate to the level and term of the borrowing applied for.

It's also worth pointing out that Vanquis are what is known as a "low and grow second chance" lender- meaning they provide modest credit limits at the outset of the credit relationship and overtime depending on how the account is managed by the applicant, allow them to rebuild their credit standing.

As far as the initial application is concerned, I can see Vanquis approved a modest limit of £250 having undertaken its usual credit assessment, including an income and expenditure check from the information Mr M provided. It also carried out a credit check and there was no significant levels of external debt relative to Mr M's income, nor any recent defaults for around three and a half years and while there were two CCJ's, these dated back between two and four years ago.

So, with that in mind, I am satisfied it carried out reasonable and proportionate credit checks before the limit of £250 was approved.

Looking at the two credit limit increases in March 2022 and January 2023 I can see that Vanquis in line with its low and grow model, offered Mr M an uplift in the modest initial credit limit he had applied for.

It's worth mentioning from the information available, on both occasions Mr M provided new details of his income and expenditure which showed his income had improved from £18,000

to £28,000 in March 2022 and £32,000 in January 2023 indicating that his net disposable income had also improved.

While Mr M's external debt had increased by £350 in March 2022 and a further £1,600 in January 2023, that alone wouldn't be a reason for Vanquis to decline the credit limit increases it approved, given there was nothing to indicate Mr M was struggling to meet his financial obligations. I say this as from the information I have seen there was no further evidence of defaults or new CCJ's registered at those times and his account with Vanquis had been reasonably managed.

It's reasonable to say Vanquis are reliant to some extent on the accuracy of the information provided by the applicant when detailing their income and expenditure. Here, I need to consider whether Vanquis carried out reasonable and proportionate checks before it provided credit limit increases from £250 to £850 over a two-year period, and I am satisfied on balance, it did that here, for the reasons I have already stated. So, while Mr M may not agree, I wouldn't expect Vanquis, given the level of credit it approved, to request additional supporting evidence in addition to the other credit checks it carried out before it approved the initial credit limit or the subsequent limit increases.

While Mr M will be disappointed with my decision, I won't be asking anymore of Vanquis.

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 Mr M to accept or reject my decision before 24 March 2025.

Barry White
Ombudsman