

The complaint

Mr H complains that Vanquis Bank Limited lent irresponsibly when it approved his credit card application and later increased the credit limit.

What happened

Mr H applied for a credit card with Vanquis in April 2012. In his application, Mr H said he was employed with an income of £20,000 a year. Vanquis completed a credit check and found Mr H had a default that was around four months old but had no other adverse credit recorded. Vanquis also found Mr H had two active unsecured credit accounts with a balance of less than £100. Vanquis approved Mr H's application and issued a credit card with a limit of £250.

Vanquis went on to increase the credit limit to £500 in September 2012, £1,500 in August 2013, £2,250 in January 2014, £3,000 in June 2014 and £3,500 in June 2017. Mr H has continued to use the credit card with varying outstanding balances.

Last year, representatives acting on Mr H's behalf complained that Vanquis lent irresponsibly and it issued a final response. Vanquis said that because of the length of time Mr H had waited before raising his complaint it was out of time. Mr H's representatives went on to refer his complaint to the Financial Ombudsman Service.

An investigator was passed Mr H's case. In its submission, Vanquis confirmed it consented to the Financial Ombudsman Service considering Mr H's complaint in full even though all the lending decisions were made more than six years before he complained. Vanquis provided copies of the credit file and lending data it had retained from the period in question.

The investigator thought the decisions to approve Mr H's application in April 2012 with a credit limit of £250 and increase the credit limit to £500 in September 2012 were reasonable based on the information Vanquis had available. The investigator thought that Vanquis ought to have completed more comprehensive checks before increasing Mr H's credit limit to £1,500 in August 2013 and for the subsequent credit limit increases until it reached £3,500 in June 2017. The investigator looked at the available bank statements but wasn't persuaded Vanquis lent irresponsibly. They thought Mr H's bank statements showed Mr H was able to sustainably afford increases to the credit card's limit and didn't uphold his complaint.

Mr H's representatives asked to appeal and said his bank statements showed a long history of overdraft use along with regular gambling. The representatives asked to appeal on Mr H's behalf, so his complaint has been passed to me to make 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.

Before agreeing to lend or increasing the credit limit, the rules say Vanquis had to complete reasonable and proportionate checks to ensure Mr H could afford to repay the debt in a sustainable way. These affordability checks needed to be focused on the borrower's

circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:

- The amount of credit;
- The total sum repayable and the size of regular repayments;
- The duration of the agreement;
- The costs of the credit; and
- The consumer's individual circumstances.

That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate. Lenders may choose to verify a borrower's income or obtain a more detailed picture of their circumstances by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.

Because the original lending decision was made by Vanquis in 2012, over twelve years ago, there's a limited amount of application information available. But I'm satisfied we have enough on file to reach a fair decision concerning Mr H's complaint about Vanquis. Vanquis has provided details from Mr H's application including the income he declared of £20,000. I haven't seen evidence to show that figure was verified by Vanquis but I think it's more likely than not that's no longer available due to the passage of time. And I haven't seen anything that shows the income Mr H declared was unreasonably large or unrealistic. I note that no expenditure information remains available either but that, again, reflect the length of time that's passed since Mr H applied. Vanquis has provided a copy of the credit file information it obtained. That shows Mr H had a default that was around four months old but no other adverse credit. The information also indicated Mr H had a low amount of outstanding unsecured credit of less than £100.

I think it's fair to note the original credit limit was low at £250 and Mr H didn't appear to have much in the way of other borrowing. Given Mr H's income and credit file results I'm satisfied it was reasonable for Vanquis to proceed based on the information it had on file and haven't found anything that would've indicated it needed to take a more thorough approach. I haven't been persuaded Vanquis lent irresponsibly when it approved a credit limit of £250.

The credit file information provided from September 2012 shows Mr H didn't have any outstanding debts with other businesses. No new adverse credit, defaults or missed payments were found on Mr H's credit file. And all Mr H's payments to Vanquis had been made on time with the balance being kept within the agreed credit limit. Again, I think the increased credit limit of £500 was reasonably low when compared to Mr H's income. I haven't seen anything that would've caused Vanquis to take the view Mr H was struggling financially or that he'd be unable to afford a credit limit increase to £500. I'm satisfied reasonable and proportionate checks were completed and that Vanquis lent responsibly when it increased the credit limit to £500.

Due to the size of the credit limit increases from August 2013 and the lack of available evidence of the lending checks Vanquis completed, because to the passage of time, I'm unable to say that it completed the reasonable and proportionate lending checks. In the circumstances, I think it would've been reasonable for Vanquis to have completed a more comprehensive set of lending checks before deciding whether to lend. One option Vanquis had would've been to review Mr H's bank statements for the months before each credit limit increase which is what I've done.

I've looked at bank statements for the three months before Vanquis increased Mr H's credit limit to £1,500 in August 2013. Mr H's average income was around £1,100 a month and his committed expenditure was low at around £145. Mr H was generally overdrawn which can

be a sign of financial difficulties. But I think the overall way Mr H's account was being used shows he was managing his finances and not overcommitted. In my view, Mr H's bank statements show he had capacity to afford an increased credit limit. If Vanquis had looked at Mr H's bank statements, I think it's more likely than not it would've still increased his credit limit to £1,500 in August 2013.

I've looked at the bank statements for three months before January 2014 increase to £2,250. Mr H was earning £1,580 a month and had regular outgoings that came to around £150. Again, while I can see Mr H was generally overdrawn, his account was well administered with no returned payments. I haven't seen anything that would've indicated to Vanquis Mr H didn't have capacity to afford a credit limit increase of £750, taking it to £2,250. In my view, the credit limit increase was affordable based on the information included in Mr H's bank statements. I think Vanquis would most likely have still increased the credit limit to £2,250 in January 2014 if it had carried out a more comprehensive set of lending checks. I haven't been persuaded Vanquis lent irresponsibly.

In June 2014 Mr H's credit limit was increased to £3,000 but his representatives haven't sent us the relevant bank statements for the preceding three months. As I can't say what Vanquis would've found if it had looked at Mr H's bank statements for the months prior to June 2014, I can't make a finding on what it would've found. I haven't seen anything else in the information available to Vanquis that showed Mr H wasn't able to sustainably afford a credit limit increase to £3,000 and haven't been persuaded it lent irresponsibly.

The final credit limit increase to £3,500 took place in June 2017. Mr H's bank statements have changed at this point and are now in joint names with a third party. The account has regular benefit payments being received, up to £1,430 a month. And there are reasonably large regular transfers being received from another account that also appear to be income. It's not possible, by looking at the bank statements, to say what commitments were Mr H's and what belonged to the third party. Nor is it clear whose income is being paid into the account in question and whether it was solely Mr H's. I note Mr H's representatives responded to the investigator with thoughts about his overdraft use and gambling over time, but no further information was given in terms of the way the bank account was being used in the months before June 2017.

I've taken all the income and outgoings into account when reaching my decision. The income being received each month came to an average of around £1,950 and the regular outgoings came to around £1,525. The bank statements indicate Mr H had a disposable income of at least £425 a month. I can see various payments to online gambling businesses in the bank statements I reviewed. But the payments were all reasonably low, the majority were for £5. And whilst there were gambling transactions, Mr H's account appeared to be well administered overall. Even accepting there was some gambling and Mr H was using an overdraft facility, I think his bank statements show he would've been able to sustainably afford repayments for an increase to his Vanquis credit limit of £500, taking the limit to £3,500. Overall, I think it's more likely than not that Vanquis would've still increased Mr H's credit limit to £3,500 in January 2017 if it had carried out better checks, like looking at his bank statements, first. I'm sorry to disappoint Mr H but I haven't been persuaded that Vanquis lent irresponsibly when it increased his credit limit.

I've considered whether the business acted unfairly or unreasonably in any other way including 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 H or otherwise treated him unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

My final decision

My decision is that I don't uphold Mr H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 26 March 2025.

Marco Manente
Ombudsman