

The complaint

In summary, Miss B complains that Vanquis Bank Limited, provided her with a credit card and credit limit increases that she wasn't able to afford.

What happened

In March 2016, Miss B applied for a credit card with Vanquis. The application was approved and a credit limit of £500 was provided. In December 2016, Vanquis increased the credit limit to £1,250 and it increased it again in May 2018 to £2,250.

In its response to Miss B's complaint, Vanquis explained that it didn't think the complaint could be upheld by it, as it had been made out of time.

Vanquis explained to this service that as the lending decisions were over six years old, there was limited information. And it said that as it wasn't able to evidence that Miss B should have been aware she could complain within three years, it consented to the merits of the complaint being investigated.

Miss B's concerns were looked into by one of our investigators. They explained why they thought the initial lending and limit increases provided to Miss B was affordable. Miss B didn't agree and asked for her case to be reviewed. The investigator provided Miss B with additional time to provide further information in support of her opinion that she shouldn't have been provided with the credit. She reiterated her concerns but didn't provide any further supporting evidence.

As no agreement could be reached, the case has been passed to me to review.

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.

We've set out our approach to considering unaffordable and irresponsible lending complaints on our website - including the key relevant rules, guidance, good industry practice and law. And I've considered this approach when deciding Miss B's complaint.

Having done so, I've decided not to uphold Miss B's complaint. I'll explain why.

There are several questions that I've thought about when deciding if Vanquis treated Miss B fairly and reasonably when it provided her with the credit card and limit increases.

- 1) Did Vanquis complete reasonable and proportionate checks to satisfy itself that Miss B would be able to repay her credit card in a sustainable way?
- 2) If Vanquis didn't complete reasonable and proportionate checks, what would reasonable and proportionate checks have shown at the time?

3) Ultimately, did Vanquis make a fair lending decision?

Did Vanquis complete reasonable and proportionate checks to satisfy itself that Miss B would be able to repay her credit card in a sustainable way?

The rules that Vanquis had to follow, required it to carry out checks that would enable it to reasonably assess, whether Miss B could afford to repay the credit card she wanted to take out. This is often referred to as an “*affordability assessment*”.

The rules don’t set out what specific checks Vanquis needed to carry out, but it did set out that those checks needed to be proportionate to the circumstances of the application. I think what this meant in practice, was that the scope and extent of Vanquis’ checks needed to reflect the nature of the lending, bearing in mind things such as the amount of credit, the interest rate, and any indications of customer vulnerability. This isn’t an exhaustive list.

The checks Vanquis needed to carry out as part of its affordability assessment, had to be “*borrower focussed*”. What I mean by this, is that the checks needed to consider whether the credit provided, and the monthly repayments, would cause Miss B any difficulties or have any adverse consequences for her.

And as a result of the above, I think reasonable and proportionate checks needed to be more thorough if Miss B had a low income. This would reflect that it could be more difficult for her to make the card repayments with a low income. It would also need to be more thorough the higher the amounts she had to repay, as it would be more difficult to make higher monthly repayments on a given income.

With these principles in mind, I’ve thought about whether Vanquis completed reasonable and proportionate checks to satisfy itself that Miss B would be able to repay her credit card in a sustainable way.

The account opening

When Miss B opened the account, her recorded annual income was £14,000. The initial credit limit of £500 that Vanquis provided when the account was first opened, was in my opinion, a relatively low credit limit. So, I wouldn’t necessarily have expected Vanquis to have carried out extensive checks given the information it had about Miss B’s financial circumstances. And from the evidence I’ve been provided with, I can see that it did carry out checks to verify information about Miss B’s financial circumstances. The credit search it carried out indicates no adverse information. And I think taking into account Miss B’s financial circumstances and the relatively low amount of credit it was offering her, the checks that Vanquis carried out when the account was opened, were reasonable and proportionate in the context of the credit it was proposing to provide to Miss B.

First credit limit increase

Vanquis increased Miss B’s credit limit to £1,250 in December 2016. I think given the short period of time that had elapsed since the card was taken out, it’s not unreasonable to assume that Miss B’s income was unlikely to have changed. Vanquis has provided credit file information from the time the increase was provided. This doesn’t appear to show any evidence of missed payments or other adverse information. And Miss B’s external debt

excluding mortgages was recorded as being £399. The report showed it had been 58 months since a missed payment or default had been recorded. Miss B appeared to be managing her account, making regular payments. Also, there were no county court judgements or missed payments recorded.

Taking into account Miss B's financial circumstances and the checks that Vanquis carried out when it increased her credit limit, I think these checks were reasonable and proportionate in the context of the increased lending it was providing to Miss B.

Second credit limit increase

In May 2018 Vanquis increased Miss B's credit limit again by £1,000 to £2,250. Vanquis has provided credit file information from the time the limit increase was provided. This doesn't appear to show any evidence of missed payments or other adverse information. And Miss B's external debt was recorded at £801, excluding mortgages. Miss B appeared to be managing her account, making regular payment with no missed payments. And no county court judgements or missed payments recorded.

Taking into account Miss B's financial circumstances and the checks that Vanquis carried out when it increased her credit limit, I think these were reasonable and proportionate in the context of the increased lending it was providing to Miss B.

Did Vanquis make fair lending decisions?

As I have summarised above, the checks that Vanquis carried out at the time of the application recorded no adverse information. The initial lending was for a relatively small amount. And I think the limit provided to Miss B was affordable taking into account the financial information Vanquis had about her circumstances. And whilst the two limit increases, provided her with a higher credit limit, again, I think taking into account the financial information Vanquis had about Miss B, the increased limits were affordable for her.

I have considered the points Miss B has made in response to the investigators assessment of her complaint. And I do understand that she considers she shouldn't have been provided with the credit. I accept that Miss B has had difficulties managing the account which led to a notice of default being issued in February 2020. But I can only assess a complaint based on the available evidence. And as I have explained above, the information provided to me doesn't indicate to me in the circumstances of this case, that Miss B's financial circumstances and history at the time the credit and limit increases were applied, meant that Vanquis shouldn't have provided her with the credit.

I understand that Miss B doesn't think Vanquis should have proactively increased her credit. But she has said that she turned down a previous limit increase, and I think she could have asked for any further limit increases to not be provided as well, if she didn't want them. She has also raised concerns about not being provided with documentation regarding the default notice. That isn't something that Miss B has raised as part of her complaint to this service. And it doesn't appear from the final response provided by Vanquis that it formed part of her complaint to it. If Miss B wants to pursue that issue with Vanquis, she will need to raise that directly with them in the first instance. If she is unhappy with its response, she can raise those concerns with this service.

My final decision

I do understand that Miss B will be disappointed, but my decision is to not uphold Miss B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 7 March 2025.

Simon Dibble
Ombudsman