

The complaint

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

Mr P 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 P himself.

What happened

Mr P was approved for a Vanquis credit card in January 2016 with a £500 credit limit. I have detailed the credit limit changes below:

May 2016	£500 to £1,000
October 2016	£1,000 to £2,000
March 2017	£2,000 to £3,000
August 2017	£3,000 to £3,500

Mr P 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 P brought his complaint to our service.

Our investigator did not uphold Mr P's complaint. He said that Vanquis made fair lending decisions. Mr P asked for an ombudsman to review his complaint. He made a number of points. In summary he said Vanquis completed multiple credit limit increases without a full review of his financial situation. He said his credit limit was constantly maxed out and ultimately his account was suspended which indicated the credit was not affordable. He said he was already financially stretched when Vanquis gave him more credit, and he requested compensation for distress and inconvenience.

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.

Firstly, I'm aware that I've only summarised Mr P's complaint points. And I'm not going to respond to every single point made by him. No discourtesy is intended by this. It simply reflects the informal nature of our service as a free alternative to the courts. If there's something I haven't mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual point to be able to reach what I think is a fair outcome.

Before agreeing to approve or increase the credit available to Mr P, 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 P'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 P had provided before approving his application.

The information showed that Mr P declared he was employed with an annual income of £18,000. The CRA reported no defaults, CCJ's or payday lending on Mr P's credit file. The CRA showed he did not have any active unsecured debt at the time the checks were completed.

Mr P had not been in arrears on his active accounts for the 12 months prior to the checks. The £500 credit limit was less than 3% of his declared gross annual income, therefore I'm not persuaded that this would leave him overindebted.

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

May 2016 credit limit increase - £500 to £1,000

I've looked at what checks Vanquis said they did as part of this lending decision. The CRA Vanquis used for their ongoing checks reported that Mr P had defaulted on an account 14 months prior to the checks. This wasn't showing on the account opening checks. This can occur when a lender doesn't report account activity to all of the CRA's. But I can't hold Vanquis responsible for a third party lender not reporting this to the CRA Vanquis originally used. And it wouldn't be proportionate for Vanquis to complete credit checks with all of the different CRA's.

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 CRA reported Mr P did not have any active outstanding debt with third party lenders. Vanquis would also have been able to see how Mr P used his Vanquis account since account opening. Mr P incurred no late or overlimit fees on this account since it was opened.

It doesn't appear that any of Mr P's active accounts were in arrears at the time of the checks. Mr P had made repayments of £100 or more when he was required to make a repayment, which I wouldn't expect him to be able to do if he was financially struggling. Mr P wasn't using all of his available credit at the time of the checks.

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

October 2016 credit limit increase - £1,000 to £2,000

I've looked at what checks Vanquis said they did as part of this lending decision. The CRA reported that Mr P had no active unsecured debt outstanding balances with third party lenders 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 P used his Vanquis account since the last credit limit increase.

Mr P had not incurred any late payment fees or overlimit fees since the last lending decision. The data also shows that Mr P made repayments of at least £100 a month. He wasn't at his credit limit maximum prior to the credit limit increase. So based on how Mr P was managing his unsecured accounts, it wouldn't have been proportionate for Vanquis to verify his income and expenditure here as Mr P had shown he could consistently make repayments far exceeding his minimum repayments from account opening to the point the checks were made for this lending decision.

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

March 2017 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 P had active unsecured debt of £920 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 since the last lending decision. Vanquis would also have been able to see how Mr P used his Vanquis account since the last credit limit increase.

Mr P had no late payment or overlimit fees incurred since the last lending decision, and again, he was making at least £100 a month repayment to his Vanquis account. So it wouldn't have been proportionate to verify his income and expenditure here.

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

August 2017 credit limit increase - £3,000 to £3,500

I've looked at what checks Vanquis said they did as part of this lending decision. The CRA reported that Mr P had been in arrears on an account three months prior to the lending checks for this credit limit increase. So this could indicate Mr P was suffering financial difficulty, or it could have been an oversight on Mr P's behalf.

On this occasion it does appear to be an oversight. I say this because Mr P had brought his account up to date the following month, and he had no further arrears prior to this credit limit increase. No active accounts were in arrears at the time of the checks, and the CRA reported that Mr P's active unsecured debt had fallen to £720.

Vanquis would also have been able to see how Mr P used his Vanquis account since the last credit limit increase. Mr P had no late payment or overlimit fees incurred since the last lending decision, and again, he was making much higher repayments than his minimum required repayment, and in one month since the last credit limit increase he had repaid a total of £600 which I wouldn't have expected him to be able to pay this amount if he was struggling financially. So it wouldn't have been proportionate to verify his income and expenditure here.

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

I've considered what Mr P has said about Vanquis not completing a full review of his financial situation at each lending decision. But Vanquis were not required to do this. It wouldn't have been proportionate based on the data they had. The CRA gave no indication that Mr P was financially stretched at any point of the lending checks and Mr P consistently made higher repayments than what he was required to make.

Mr P had no overlimit or late fees incurred on his Vanquis account prior to all of the lending decisions Vanquis made. And at no point was he at his maximum credit limit when Vanquis completed their checks prior to each lending decision. So it would not be proportionate for me to award any compensation for distress and inconvenience here.

I've considered what Mr P has said about his account being suspended which indicated the credit was not affordable. But this occurred several years after the last credit limit increase, so I can't fairly say the last credit limit increase was not affordable for Mr P as he had maintained repayments long after this event.

I do note that Mr P's unsecured borrowings significantly rose in the month after Vanquis increased his credit limit for the last time, as this increased to £33,125. But as his debt increased after the checks, and not before the checks, the significant increase to the unsecured borrowings would not be foreseeable to Vanquis. Mr P's first late fee that he incurred on his Vanquis account was in late 2021, over four years since the last credit limit increase, which doesn't indicate the lending was unaffordable in 2017 when the last increase was processed.

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 P 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 P to accept or reject my decision before 3 April 2025.

Gregory Sloanes
Ombudsman