

The complaint

Ms B complains that Vanquis Bank Limited lent irresponsibly when it approved her credit card application and later increased the credit limit.

What happened

Ms B applied for a Vanquis credit card in April 2020. In her application, Ms B said she was a student with an income of £10,000 a year that Vanquis calculated left her with £833 a month. Ms B also said she had no housing costs. Vanquis applied an estimate for Ms B's general living expenses of £372 to the application. Vanquis also carried out a credit search and found Ms B had no outstanding debts and no adverse credit, defaults or recent missed payments on her credit file. Vanquis says Ms B had an estimated disposable income of around £321 a month which was more than sufficient to cover repayments to a new credit card with a limit of £500 and approved her application.

Ms B didn't use the credit card until February 2022. In May 2022 Vanquis looked at Ms B's account use and credit file with a view to increasing her credit limit to £850. There were no missed payments and no overlimit charges were applied to Ms B's credit card by Vanquis. Ms B's credit file shows she had no other debts at this time and there was no new adverse information or missed payments recorded. Vanquis spoke with Ms B who confirmed her income was around £780 a month and that her parents were covering her housing costs. Vanquis applied a cost of living estimate and said she had a total expenditure of around £318 a month, leaving Ms B with around £460 as a disposable income. Vanquis' contact notes show Ms B confirmed she wanted to proceed. The credit limit was increased to £850 in July 2022.

Ms B continued to use the credit card and in July 2023 the credit limit was increased by Vanquis to £1,450. In June 2023, before increasing the credit limit, Vanquis checked Ms B's income with her and it was confirmed as £900 a month. Ms B also confirmed her parents were still funding her housing. Vanquis used an estimate of Ms B's living expenses of £378 a month. Another credit search was completed by Vanquis that found no evidence of new adverse credit or missed payments. Vanquis found Ms B owed around £568 to other lenders. Vanquis approved the credit limit after Ms B confirmed she wanted to proceed.

Last year, representatives acting on Ms B's behalf complained that Vanquis lent irresponsibly and it issued a final response. Vanquis said Ms B's application and credit limit increases had been correctly approved in line with its lending criteria and didn't agree it lent irresponsibly.

An investigator at this service looked at Ms B's complaint. They thought Vanquis had completed reasonable and proportionate checks before approving Ms B's application and increasing the credit limit and weren't persuaded it lent irresponsibly. Ms B's representatives asked to appeal and said she was working part time as a student during the period in question. Ms B's representatives said her employment and financial situation weren't stable and that her income was unsteady. Ms B's representatives said that Vanquis' decision to lend and increase her credit limit had caused undue financial strain. As Ms B's representatives asked to appeal her 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 Ms B 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.

I'll start by addressing Ms B's representative's claim that because she was a student and working part time her situation was unstable. But I'm not persuaded that's the case. Whilst I accept Ms B's income was modest between 2020 and July 2022 (when the second credit limit increase was approved) she appears to have been consistently earning an income throughout that period. So whilst I accept Ms B was working part time during this period, I haven't been persuaded that on its own is sufficient to say Vanquis lent irresponsibly.

Ms B confirmed her income at £10,000 in April 2020 which is what Vanquis used to base its lending assessment. I'm satisfied that was reasonable. Vanquis also confirmed saw Ms B had no housing costs and no outstanding debts. That means Ms B's outgoings were reasonably low. I also think it's fair to say the initial credit limit of £500 was reasonably low. Vanquis applied an estimate of Ms B's regular living expenses and calculated a disposable income of around £321 a month. I note there was no adverse credit, open debts or missed payments on Ms B's credit file. Overall, I'm satisfied the level and nature of checks Vanquis completed when considering Ms B's application were reasonable and proportionate to the credit limit of £500 it went on to approve. And I'm satisfied the decision to approve Ms B's application was reasonable based on the information Vanquis obtained. I'm sorry to disappoint Ms B but I haven't been persuaded that Vanquis lent irresponsibly when it approved her application.

Ms B didn't use the credit card for nearly two years. In my view, that further indicates Ms B was in a stable financial position and wasn't reliant on credit for everyday spending. Ms B first used the credit card in February 2022 and went on to make all her payments on time with no charges being applied to her account. Before increasing Ms B's credit limit to £850, Vanquis checked Ms B's circumstances with her. Ms B confirmed her income was £780, slightly lower than when she previously applied. Again, Ms B confirmed her parents were still covering her housing costs. And another check of Ms B's credit file showed she had no other debts or adverse information recorded. I'm satisfied that Vanquis asked Ms B reasonable questions about her circumstances and that the checks it completed were proportionate to a £350 increase to her credit limit, taking it to £850. In my view, the decision to increase Ms

B's credit limit to £850 was reasonable based on the information Vanquis obtained. I'm sorry to disappoint Ms B but I haven't been persuaded Vanquis lent irresponsibly.

The credit limit remained at £850 between July 2022 and June 2023. During that time, Ms B's highest outstanding balance was £547.84 which doesn't indicate she'd become reliant on the credit card to make ends meet. All Ms B's payments were made on time and in full. Vanquis carried out a similar set of lending checks before increasing the credit limit to £1,450 and Ms B confirmed her income was now £900 a month and that her parents were paying for her housing. The credit search found Ms B had another debt with an outstanding balance of around £560. No adverse information or missed payments were recorded. Ultimately, Vanquis says Ms B's living costs would've been around £378 a month. I've used a 5% payment figure for Ms B's other account which comes to around £28 a month. Even if Ms B were to borrow the full £1,450, her unsecured repayments would've been around £100 a month at that level. That would've left Ms B with a disposable income in excess of £400 a month. In my view, the checks completed by Vanquis before increasing the credit limit to £1,450 were proportionate. And I'm satisfied Vanquis' decision to increase Ms B's credit limit to £1,450 in July 2023 was reasonable, based on the information it found. I'm sorry to disappoint Ms B but I haven't been persuaded Vanquis lent irresponsibly.

I understand Ms B's raised concerns that the Vanquis credit card caused financial difficulties and impacted her mental health. I've reviewed Ms B's contact notes with Vanquis but wasn't able to see that she'd raised these points with it before making her complaint. I can see Vanquis' final response provided details of various organisations that can assist with debt and mental health difficulties that may be able to assist. Vanquis also invited Ms B to contact it again to discuss any further questions she had. In my view, when Vanquis was told about Ms B's circumstances it provided positive and sympathetic support and relevant information. I'm sorry to disappoint Ms B but I haven't been persuaded Vanquis treated her unfairly.

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 Ms B or otherwise treated her 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 Ms B's complaint. Under the rules of the Financial Ombudsman Service, I'm required to ask Ms B to accept or reject my decision before 23 April 2025.

Marco Manente
Ombudsman