

The complaint

Ms E complains that Vanquis Bank Limited irresponsibly lent to her.

Ms E 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 Ms E herself.

What happened

Ms E was approved for a Vanquis credit card in June 2019 with a £250 credit limit. The credit limit was increased to £1,100 in February 2021. Ms E says that Vanquis irresponsibly lent to her, and she made a complaint to Vanquis, who did not uphold her complaint. Vanquis said appropriate checks were made which were proportionate to the amount of credit being granted. Ms E brought her complaint to our service.

Our investigator did not uphold Ms E's complaint. He said that Vanquis made fair lending decisions. Ms E asked for an ombudsman to review her complaint. She made a number of points. In summary, she said Vanquis were reckless to increase her credit given her history of defaults, County Court Judgements (CCJ's) and other debts. She said it was irresponsible for them to provide credit without them verifying her ability to afford the repayments.

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 Ms E's complaint points. And I'm not going to respond to every single point made by her. 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 Ms E, Vanquis needed to make proportionate checks to determine whether the credit was affordable and sustainable for her. 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 card

Vanquis said they completed a credit check with a Credit Reference Agency (CRA) and information that Ms E had provided before approving her application. The information showed that Ms E was unemployed, and she declared an annual income of £14,000.

The information also showed Ms E had previously defaulted on an agreement with the last default being registered 42 months prior to the application checks. She also had a CCJ

registered on her credit file, with the last one being 24 months prior to the application checks.

It may help to explain here that, while information like a default or a CCJ 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.

Although Ms E had told Vanquis she was unemployed, this wouldn't exclude her from borrowing from them, as it appears she had regular income based on what she told Vanquis. But Vanquis were able to verify Ms E's income with a CRA. So I'm not persuaded that further checks were needed here as this wouldn't be proportionate.

Vanquis also used a mixture of information from Ms E, modelling and a CRA to calculate Ms E's expenditure. While Ms E had only declared expenditure of £400, Vanquis used the higher outgoings from their calculations, therefore they calculated that Ms E had £328 a month disposable income.

The checks showed that Ms E had total active unsecured balances of £0. So she was not paying anything towards active unsecured debt at the time the checks were completed. The £250 credit limit would equate to less than 2% of her declared annual income.

So I'm persuaded that the checks Vanquis carried out were proportionate for the amount of credit they approved for Ms E. It would not have been proportionate to make further checks such as requesting bank statements. And I'm persuaded they made a fair lending decision to approve the initial credit limit.

February 2021 credit limit increase - £250 to £1,100

I've looked at what checks Vanquis completed prior to this lending decision. The CRA Vanquis used reported that Ms E had active unsecured debt of £1,081. So if Ms E used the full amount of credit that was being proposed here (£1,100) she would have £2,181 of unsecured debt.

Ms E told Vanquis that she was now working part time, and that she was earning £1,500 a month, which would have equated to £18,000 a year. So the total unsecured debt of £2,181 would have equated to around 12.1% of her annual income, which I would not deem to be excessive.

Ms E declared that she had outgoings totalling £650. But based on Vanquis' expenditure calculations they increased the outgoings to £814.47. So I'm persuaded that Vanquis were fair to use higher expenditure figures than what Ms E told them.

Ms E had no active external accounts in arrears, and she hadn't had any external active accounts in arrears since her account was opened. But Vanquis would have also been able to see how she managed her Vanquis account since it was opened.

The data showed that Ms E incurred no late fees or overlimit fees since the account was opened. She did not appear to be reliant on the credit on the account as the information shows that in the last month her credit limit was at £250 she was utilising less than a quarter of her credit limit.

In addition to this, Ms E was making repayments much higher than her minimum repayment. In the last six months prior to the credit limit increase, the lowest total monthly repayment she made was around £133 a month (sometimes she paid over £200 a month). So she

consistently made repayments which would be sustainable and appear affordable for a £1,100 credit limit.

So it would not have been proportionate for Vanquis to complete further checks here, such as requesting her bank statements. Based on the information Vanquis received, the lending would appear affordable and sustainable for Ms E. They would not be able to foresee any financial difficulties Ms E may have in the future based on the information they received. So I'm persuaded that Vanquis' checks were proportionate here, and they made a fair lending decision to increase the credit limit to £1,100.

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 Ms E or otherwise treated her 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 Ms E to accept or reject my decision before 10 April 2025.

Gregory Sloanes
Ombudsman