

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 credit card with Vanquis in July 2012. In her application, Ms B confirmed she was retired with an income of £13,000 a year. Vanquis completed a credit search and found Ms B had a County Court Judgement that was 71 months old and defaults totalling £2,300 that were 69 months old. Ms B's credit file showed the defaulted debts had been settled. Ms B's credit file also showed she had a mail order account with an outstanding balance of £57. No other debts in Ms B's name were found. There were no recent missed payments, defaults or other adverse credit.

Vanquis applied its lending criteria to Ms B's application and approved a credit card with a limit of £500. The credit limit was increased to £1,000 in December 2012, £1,750 in September 2013 and £2,250 in May 2016. Vanquis says that before each credit limit increase it checked Ms B's account history and credit file.

Since the credit card was approved, Ms B has made all her payments on time and hasn't exceeded the credit limit. The highest outstanding balance was £892.34 in August 2016.

Last year, representatives acting on Ms B's behalf complained that Vanquis lent irresponsibly and it issued a final response. Vanquis didn't agree and said it had carried out the relevant lending checks before approving Ms B's application and increasing her credit limit.

An investigator at this service looked at Ms B's complaint. They thought Vanquis had carried out reasonable and proportionate checks during its lending relationship with Ms B and weren't persuaded it lent irresponsibly.

Ms B's representatives asked to appeal and, amongst other things, said because she was retired and in receipt of a fixed income derived from pensions there was a lack of steady income. They also said Vanquis had failed to take Ms B's existing financial commitments into account. The representative added that the increase in Ms B's credit limit had increased her financial vulnerability and that as a retired person with limited income she would find it increasingly difficult to meet repayments. They added that the credit card had increased Ms B's reliance on debt. 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.

As noted above, when Ms B made her application she confirmed she was retired with an income of £13,000. Ms B's representatives have told us this was most likely from a pension. I note that the representative's response claimed Ms B's income wasn't steady, but that is at odds with comments made in the same paragraph said she was on a fixed income. Given Ms B confirmed she was retired, I think it's more likely than not that she was receiving pension income which is what Vanquis used in its lending assessments. And while I note the representative's various references to Ms B being retired, I'm satisfied Vanquis was aware of that and took it into account when deciding whether to lend.

There is limited information available from the original application and I haven't seen the affordability calculations Vanquis completed. But I'm satisfied that most likely reflects the passage of time (the credit card was approved 12 years before Ms B complained) and the fact Vanquis isn't required to keep information indefinitely. Whilst we don't have all the application data, I'm satisfied there is enough information on file for me to make a fair decision about whether Vanquis lent irresponsibly.

In July 2012, Ms B's credit file showed she'd had some financial problems around six years before. Ms B had a CCJ and several defaults. But the CCJ and defaults were all almost six years old at the time of Ms B's application and Vanquis allows for some historic adverse credit as part of its lending criteria. I note Ms B had satisfied all the defaults, repaying the outstanding balances. There was no new adverse credit or missed payments. In my view, that indicates Ms B's circumstances had improved and she was in a stronger financial position.

Vanquis' credit file showed Ms B had a single mail order account with an outstanding balance of £57. That means Ms B had the overwhelming majority of the £1,083 a month income to cover her essential living expenses and day to day spending. I haven't seen anything in the information available that leads me to conclude Vanquis ought to have gone further in terms of the lending checks it completed. And I'm satisfied the decision to approve Ms B's credit card with a limit of £500 was reasonable based on the information Vanquis had. I'm sorry to disappoint Ms B but I haven't been persuaded that Vanquis lent irresponsibly when it approved her credit card application.

Vanquis increased the credit limit to £1,000 in December 2012. This was only five months after Ms B's application so I'm satisfied it was reasonable for Vanquis to base its assessment on the details it had, Ms B's account use to that point and the information on her credit file. I can see Ms B's payments were all made on time and her balance didn't approach the credit limit. Ms B's credit file shows the CCJs and defaults had dropped off and she owed less than £100. Again, that left Ms B with the overwhelming majority of her £1,083

monthly income to cover her essential living costs and everyday expenses. In my view, the decision to increase Ms B's credit limit to £1,000 in December 2012 was reasonable based on the information available to Vanquis. I haven't seen anything that would've led Vanquis to take the view it needed to take a more detailed approach to its assessment before increasing the credit limit to £1,000 or that it lent irresponsibly by doing so.

I can see our investigator's view of Ms B's complaint covers the two remaining credit limit increases. But, as noted above, Ms B's credit card balance's highest point was when she owed £892.34 in August 2016. So even if I were to uphold Ms B's complaint in relation to the credit limit increases to £1,750 and £2,250 there would be no settlement due to Ms B. So I'm not going to make a finding on the final two credit limit increases as Ms B's never borrowed to that level.

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.

For the reasons I've noted above, I haven't been persuaded that Vanquis lent irresponsibly to Ms B. As a result, I haven't been persuaded to uphold her complaint.

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 27 March 2025.

Marco Manente
Ombudsman