

The complaint

Mr H complains that Vanquis Bank Limited lent irresponsibly when it approved his credit card application and went on to increase the credit limit.

What happened

Mr H applied for a credit card with Vanquis in May 2014. In his application, Mr H said he was retired and had an annual income of £16,000. Vanquis carried out a credit search and found Mr H had two defaults, the newest of which was settled in 2010. No other missed payments or adverse credit was found. Mr H's credit file showed he owed around £35 at the time of his application. Vanquis applied its lending criteria and approved a credit card with a limit of £500.

Vanquis increased Mr H's credit limit to £1,000 in September 2014, £1,750 in February 2015 and £2,250 in June 2017.

Last year, representatives acting on Mr H's behalf complained that Vanquis lent irresponsibly and it issued a final response. Vanquis said Mr H had waited too long to complain about its decision to lend and didn't reach a finding on whether it lent irresponsibly.

Mr H's complaint was referred to this service and passed to an investigator. They weren't persuaded Vanquis lent irresponsibly when it approved Mr H's application and the first credit limit increase to £1,000. The investigator noted some missed payments on Mr H's credit file shortly before the credit limit increase to £1,750 in February 2015 and £2,250 in June 2017 and felt that should've led Vanquis to carry out a more in depth review of his circumstances before increasing the credit limit. The investigator asked Mr H's representatives to submit three months of bank statements for the period before the second and third credit limit increases. Whilst a single month's statement was provided for each credit limit increase, the full three months weren't. In the circumstances, the investigator wasn't persuaded they had enough information on file to reach the conclusion Vanquis lent irresponsibly to Mr H and didn't uphold his complaint.

Mr H's representatives asked to appeal and said he was in receipt of benefits at the time of his application and that his ability to afford credit was limited. Mr H's representatives said they remained of the view that Vanquis had failed to carry out a reasonable level of checks and had lent irresponsibly to Mr H. As Mr H's representatives asked to appeal, his 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 Mr H 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.

Vanquis asked Mr H about his income when he applied for a credit card and he confirmed a figure of £16,000 a year and that he was retired. I understand Mr H was in receipt of benefits at the point of his application, but I haven't been persuaded it was unreasonable for Vanquis base its lending assessment on the details he provided. Vanquis has provided evidence to show Mr H had some reasonably old defaults at the point of application, but the most recent had been settled around four years earlier. I'm satisfied Vanquis was aware of Mr H's credit history. There were no recent missed payments or other adverse credit recorded and Mr H owed around £35 to other businesses. I haven't seen anything on the credit file that would've led Vanquis to take the view Mr H was overcommitted or struggling financially.

It would have been beneficial to see Vanquis' affordability calculations from the time but that haven't been supplied. I think it's likely that reflects the length of time that's passed since Mr H made his application. I've based my decision on the available evidence that remains on file and has been submitted by both parties. In my view, the level and nature of checks Vanquis completed were reasonable and proportionate to the credit card application Mr H made and the credit limit of £500 it approved. I'm satisfied the decision to approve Mr H's credit card was reasonable and haven't been persuaded Vanquis lent irresponsibly.

Vanquis increased Mr H's credit limit to £1,000 in September 2014, around five months after his original application was made. Mr H's payments had all been made on time by this point and another check on his credit file showed he still owed around £35 to other businesses. There were no new missed payments or other adverse credit recorded on Mr H's credit file. Given the lack of other obvious outgoings for credit, Mr H's declared income and his account use to date, I'm satisfied an increase of £500, taking the credit limit to £1,000, was reasonable based on the information Vanquis had available. I'm sorry to disappoint Mr H but I haven't been persuaded Vanquis lent irresponsibly when it increased his credit limit to £1,000 in September 2014.

Mr H's credit file changed before the credit limit increase to £1,750 in February 2015. While Mr H's outstanding credit balance remained low, missed payments were recorded in the preceding months. In addition, Mr H incurred an overlimit charge from Vanquis in January 2015. In my view, that information should've caused Vanquis to consider carrying out a more detailed approach to the credit limit increase. One option Vanquis had would've been to look at Mr H's bank statements to get a clearer picture of his circumstances. I can see our investigator requested three months of bank statements for the period immediately before the credit limit increase in February 2015 but only a single month was provided. The remaining statements went beyond the credit limit increase date of February 2015 so wouldn't have been available to Vanquis.

I've looked at Mr H's bank statements for January 2015. Mr H's account remained in credit throughout January 2015 without any returned payments or charges. Mr H received pension and benefit income totalling £1,433. Mr H had direct debits totalling £372.94 for items like utilities, insurance and debt repayments. I can also see ad hoc direct debit payments to an online payment service I'll refer to as P totalling £565.12. But looking at Mr H's payment history to P, I suspect the payments collected were for online spending, not debt repayments or to reflect ongoing commitments he already had. Having looked at the January 2015 bank statement, I think it's more likely than not that Vanquis would've still approved Mr H's credit limit increase on the basis he had sufficient disposable income to afford it. Based on the limited information included in the January 2015 statement provided by Mr H's representatives, I'm satisfied Vanquis' decision to approve the credit limit increase was reasonable. I haven't been persuaded Vanquis lent irresponsibly.

Mr H's credit limit was increased to £2,250 in June 2017. Mr H's unsecured debt levels had increased and a new default had been noted on his credit file in the period between the second and third credit limit increases. I also note Mr H incurred two late payment charges on his Vanquis account in the early part of 2017. Again, in the circumstances, I'd have expected Vanquis to have carried out a more in depth set of checks before lending further. Our investigator asked Mr H's representatives for his bank statements three months before the credit limit increase but the statements provided ran from May 2017, the preceding month. Again, that means I only have limited information available to base my decision on.

In May 2017 Mr H received pension and benefit income totalling £1,026.76. I found regular direct debits and payments for items like utilities, insurance communications and debt repayments totalling £271.17. Again, there were also regular payments to P. I think it's fair to note Mr H's balance remained in credit by over £1,000 during the whole of May 2017 and there were no returned payments or other signs he was struggling. In my view, the May 2017 bank shows Mr H had capacity to sustainably afford repayments to an increased credit limit of £2,250. I think it's more likely than not that Vanquis would've still approved the increase to Mr H's credit limit to £2,250 in June 2017 if it had carried out better checks before doing so. I'm sorry to disappoint Mr H but I haven't been persuaded Vanquis lent irresponsibly.

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 Mr H or otherwise treated him 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 Mr H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 8 April 2025.

Marco Manente
Ombudsman