

The complaint

Miss C complains Vanquis Bank Limited (Vanquis) acted irresponsibly when it increased the credit limits on her credit card account and offered her a new credit card following the closure of her first credit card account.

What happened

Miss C says she took out a credit card with Vanquis in May 2016, at which time she was provided with a credit limit of £500. Miss C says Vanquis went on to increase her credit card limits in May 2019 to £1,500 and again in November 2019 to £2,250, when it was clear she was in financial difficulties with growing external debt. Miss C says if Vanquis had carried out a more thorough financial review at those times, it would have been clear the borrowing was unaffordable.

Miss C also feels Vanquis, having been aware of her financial background and increased external borrowings, shouldn't have provided her with a second credit card in September 2022 with a credit limit of £600.

Miss C says Vanquis have contributed to trapping her into a cycle of debt and wants it to refund all interest and charges on the credit card accounts it provided her, along with 8% simple interest on that sum.

Vanquis says before the initial credit card limit of £500 was agreed in May 2016 and any subsequent credit limit increases in May 2019 and November 2019, it carried out proportional checks, including credit reference checks, income and expenditure assessment, alongside the information provided on the credit application and these showed no adverse information such as CCJ's or defaults recorded. Vanquis says it carries out regular risk assessments on all customers accounts to identify customers who could be considered for increased credit limits.

Vanquis says when the credit limits were approved it was comfortable with the level of external debt, taking into account the affordability assessments it had also carried out. Vanquis feels it carried out sufficient and proportionate checks before it provided the levels of credit it did to Miss C.

Miss C wasn't happy with Vanquis's response and referred the matter to this service.

The investigator looked at all the available information but didn't uphold the complaint. The investigator says when the credit card account was opened in May 2016 Miss C had declared income of £20,000 and access to household income of around £33,000. The investigator says Vanquis carried out credit checks before any lending decision it made, and these showed no signs of adverse information on Miss C's credit file.

The investigator says at the time the two credit limit increases were approved by Vanquis, while there had been an increase in the level of external debt, there was no sign of any adverse information contained within the credit checks it completed. The investigator didn't feel Miss C was overindebted or over committed at the times the credit limit increases were

approved. The investigator pointed out while there was some evidence of over limit charges, all monthly payments were made on time and Vanquis had completed an income and expenditure review before the limits were increased.

The investigator says with regard to the second credit card facility of £600 provided by Vanquis in September 2022, Miss C's previous credit card had been paid off in full in December 2020. The investigator says Miss C had declared income of £25,000 and while external debt had considerably increased he felt she wasn't overindebted given her income levels and there were no signs of recent adverse information within the credit checks undertaken. The investigator says in the income and expenditure review carried out by Vanquis at that time, this showed Miss C had sufficient disposable income available to afford the monthly payments.

Overall, the investigator felt there was no evidence to suggest any lending provided by Vanquis would be unaffordable.

Miss C didn't agree with the investigator's view and asked for the matter to be referred to an ombudsman for a final 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.

Having done so, I won't be upholding this complaint and I will explain how I have come to my decision.

I was sorry to learn Miss C is experiencing financial difficulties, and this must be a worrying time for her. When looking at this complaint I will consider if Vanquis acted irresponsibly when it provided credit card facilities to Miss C.

Miss C's complaint centres around the fact she feels Vanquis failed to carry out sufficient financial checks before it approved the credit card facility in 2016 and the subsequent credit limit increases in 2019. Miss C also feels Vanquis shouldn't have then gone on to provide her with another credit card facility in September 2022, after she had previously closed her credit card account with them in December 2020. Miss C feels Vanquis's actions have contributed to her being trapped into a cycle of debt.

While I understand the points Miss C makes and I have sympathy with her situation, I'm not fully persuaded by her argument here. I say this because firstly, there are no set rules as to what checks Vanquis must undertake before affording credit facilities other than these should be reasonable and proportionate to the level, term and cost of the credit provided.

Here, Miss C was provided with an initial modest credit card facility of £500 in May 2016. From the information made available I can see Vanquis carried out credit checks and income and expenditure assessments, based on the information provided on the application and there was no evidence of any adverse information that would suggest this level of borrowing was unaffordable. So here I'm satisfied the level of credit provided wasn't unreasonable and the checks carried out were proportional to that.

As far as the increased limits are concerned in May 2019 and November 2019, it's worth mentioning here Miss C had held her account for three years with Vanquis and while there were some occasions where the limit had been exceeded, there were no missed or late payments over this time. So, it's fair to say the account had been reasonably well conducted during that time. What is clear is that prior to both limit increases, Vanquis carried out further

credit assessments including income and expenditure modelling from the information it was provided with and external credit checks.

While over the past three years Miss C's external debt levels had increased, there were no signs of defaults, CCJ's, missed payments or any obvious signs of financial stress. So, I can't say Vanquis should have insisted upon further information from Miss C before it increased the limits when it did, simply because external debt levels had increased. After all, along with the other financial checks it undertook, Vanquis carried out its own financial modelling which showed the increased facilities were affordable and I'm satisfied on balance that was reasonable and proportionate to the level of credit being offered here.

Vanquis agreed a new credit card facility of £600 for Miss C in September 2022, approaching two years following the repayment and closure of Miss C's previous credit card account she held with them. I can see Miss C declared an income of £25,000 and her external debt had increased to around £12,000 and while that was a large increase from previously, again there was no evidence of adverse credit information at that time and Vanquis undertook further remodelling which showed the modest limit approved was affordable. So, with that in mind, I can't say Vanquis acted irresponsibly or that the checks it completed at the time weren't reasonable or proportionate to the level of credit approved.

While Miss C will be disappointed with my decision, I won't be asking anymore of Vanquis here.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 15 April 2025.

Barry White
Ombudsman