

The complaint

Miss C's complaint relates to a credit card she had with Vanquis Bank Limited. She has said that she considers Vanquis was irresponsible when it accepted her application, and later increased her credit limit, as neither were affordable for her.

Miss C is represented in her complaint, but for ease I will refer to all comments as hers.

What happened

Miss C's credit card account was opened in September 2018 with a credit limit of £500.

When Miss C applied for the credit card, she told Vanquis that she was unemployed and had an annual income of £12,760.

The credit report Vanquis obtained at the time showed that Miss C had three credit accounts that were active – one with a utility provider, her bank account and a mail order account. These accounts were being maintained satisfactorily with only one adverse report in the year before her application to Vanquis, which had been resolved within a month. While there were defaults recorded on Miss C's report, these were from 2013 and 2014.

Vanquis increased Miss C's credit limit in May 2019. Before it did so, it spoke to Miss C about her circumstances. It completed an income and expenditure assessment based on the information Miss C gave it and using publicly available information about living costs. This showed that her income was now £2,060 per month and that she had outgoings of just under £620 each month. Vanquis also assessed her overall credit commitments and reviewed her payment history with it. It decided that a higher credit limit was affordable and increased it to £1,250.

Due to arrears, Vanquis reduced the credit limit on Miss C's account in February 2021 to £1,050.

Miss C's debt was sold to a debt purchaser in March 2022.

Miss C complained to Vanquis in October 2023. Vanquis didn't respond to the complaint within eight weeks and Miss C asked us to consider it. One of our Investigators did so, but he didn't recommend that the complaint be upheld.

Miss C didn't accept the Investigator's conclusions. She said that Vanquis had not sufficiently verified her ability to sustainably manage her credit obligations, which were greater than those mentioned by the Investigator. In addition, Miss C did not agree with how the Investigator had assessed the information available to him. She asked that the complaint be referred to an Ombudsman.

The Investigator considered what Miss C had said. While he responded to some of her concerns, he was not persuaded to change his conclusions. As such, the complaint has been passed to me to consider.

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.

I would firstly comment that just because a consumer has historically had financial difficulties it does not mean that they should never again be offered credit. If that consumer has been able to stabilise their finances and can afford what the additional credit they have applied for, it would be inappropriate for a lender to refuse credit simply because there had been a problem in the past.

The Financial Conduct Authority (FCA) sets out in a part of its handbook known as CONC what lenders must do when deciding whether or not to lend to a consumer. In summary, a firm must consider a customer's ability to make repayments under the agreement without having to borrow further to meet repayments or default on other obligations, and without the repayments having a significant adverse impact on the customer's financial situation.

CONC says a firm must carry out checks which are proportionate to the individual circumstances of each case. What is proportionate will vary with each lending decision and considers things such as (but not limited to): the amount of credit, the size of the repayments, the cost of the credit, the purpose the credit was taken out for and the consumer's circumstances.

If I determine the checks Vanquis completed were proportionate, I then need to decide if Vanquis made a fair lending decision. I also need to consider whether Vanquis treated Miss C fairly overall.

Vanquis asked Miss C for information when she applied to it in 2018, including her income, employment status and residential status. Vanquis also obtained a credit report for Miss C in order to establish what her current credit commitments were and how she had been managing those commitments. Having completed these checks, Vanquis decided that Miss C could afford a card with a credit limit of £500. I think these checks were proportionate given the credit offered and Miss C's circumstances.

I also think that Vanquis made a fair lending decision in the circumstances too. At the time Miss C had available to her £550 of revolving credit over two accounts and was using £382 of it. Miss C had been late making a payment to one of those accounts at the end of the previous year, but she repaid the arrears immediately and there had been no other issues since. While Miss C did have defaults in the past, the most recent of them had been recorded four years earlier and would not make Vanquis' decision to lend wrong or unaffordable. Overall, I am not persuaded that the limited recent adverse data on Miss C's credit file was reason to prevent her from having a modest line of credit.

As for the increase to the credit limit in 2019, Vanquis completed further checks at the time. It asked Miss C for updated information about her circumstances and completed an income and expenditure exercise. It made an assumption about her living costs based on publicly available information, which it was allowed to do. Vanquis also looked at Miss C's overall credit commitments and assessed how she had maintained her account with it. Given the increase in the credit limit of £750 being offered, I am satisfied that these checks were proportionate in the circumstances.

As for the lending decision, the income and expenditure showed that Miss C's income had increased and that she had a disposable income that would have given her the capacity to take on the higher credit limit. While Miss C had taken on additional credit facilities since taking out the Vanquis card the previous year, at the time Vanquis was assessing whether

an increased credit limit was affordable for her, she was only using £546 of the credit available to her, which was in total only slightly more than the existing credit limit on just the Vanquis account. Indeed, Miss C's balance with Vanquis had never exceeded 80% of the credit limit and she had maintained her payments to it. I am not persuaded that Vanquis' decision to extend Miss C's credit with it in April 2019 was irresponsible or that the new credit limit was unaffordable.

I note that Miss C has said that her financial situation was worse than was shown by the information Vanquis had. If that was the case, Vanquis didn't know this at the time it made the lending decisions and, as I have said above, I am satisfied that the checks it made were proportionate and so it couldn't be expected to have known if Miss C didn't tell it.

Overall, I am not persuaded that Vanquis lent to her in an irresponsible manner or that it treated her unfairly.

I have also considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I have already given, I don't think Vanquis lent irresponsibly to Miss C 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.

My final decision

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

Under the rules of the Financial Ombudsman Service, I am required to ask Miss C to accept or reject my decision before 10 April 2025.

Derry Baxter
Ombudsman