

Complaint

Mr H has complained about a credit card Vanquis Bank Limited (“Vanquis”) provided to him. He says the credit card and limit increases should not have been provided to him as they were unaffordable.

Background

In November 2018, Vanquis provided Mr H with a credit card which had a limit of £250. Mr H’s credit limit was subsequently increased to £500 in April 2019, £1,500.00 in September 2019 and finally £2,500.00 in March 2020.

One of our investigators reviewed what Mr H and Vanquis had told us. And he thought Vanquis hadn’t done anything wrong or treated Mr H unfairly in relation to providing the credit card or increasing the credit limit on the occasions that it did. So he didn’t recommend that Mr H’s complaint be upheld.

Mr H disagreed and asked for an ombudsman to look at the complaint.

My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Mr H’s complaint.

Having carefully considered everything, I’ve decided not to uphold Mr H’s complaint. I’ll explain why in a little more detail.

Vanquis needed to make sure it didn’t lend irresponsibly. In practice, what this means is Vanquis needed to carry out proportionate checks to be able to understand whether Mr H could afford to repay any credit it provided.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to lend to a customer irresponsibly.

Vanquis says it initially agreed to Mr H’s application after it obtained information on his income and carried out a credit search. And the information obtained indicated that Mr H would be able to make the monthly repayments due for this credit card. It says that due to

Mr H's account being relatively well managed he was then offered the subsequent credit limit increases.

On the other hand, Mr H says that he shouldn't have been lent to.

I've considered what the parties have said.

What's important to note is that Mr H was provided with a revolving credit facility rather than a loan. And this means that to start with Vanquis was required to understand whether credit limits of £250, £500, £1,500.00 and £2,500.00 could be repaid within a reasonable period of time, rather than all in one go. It's fair to say that credit limits of £250, £500, £1,500.00 and £2,500.00 did not require large monthly payments in order to clear the full amount that could be owed within a reasonable period of time.

I've seen records of the information Vanquis obtained from Mr H about his income and what was on the credit search carried out. Vanquis says that Mr H declared that he was employed full time with earnings of £40,000.00 a year. At the time of Mr H's initial application, the credit checks showed that Mr H had a County Court Judgment ("CCJ") recorded against him around two years prior to this application. However, Mr H appears to have had little outstanding active credit.

I don't think that this CCJ in itself meant that Mr H shouldn't have been lent to. In my view, it meant that Vanquis needed to take more caution which it did do by offering a low initial limit. Bearing in mind there wasn't anything in this information that was inconsistent or difficult to explain, I don't think that it was unreasonable for Vanquis to rely on what Mr H provided about his income and expenditure during his application.

As this is the case and the information obtained suggested that Mr H could repay a balance of £250 within a reasonable period of time, I'm satisfied that the checks carried out before Mr H was initially provided with his credit card were reasonable and proportionate.

For the credit limit increases, it appears as though Vanquis relied on Mr H's account having been managed well in the period since it had been opened. Although, I'm mindful that by the time of the second increase a historic default from almost three years prior was picked up on the credit search despite the fact that it didn't show up at the time of the initial application, or the first limit increase. By the time of the final limit increase, there wasn't anything in the way of any additional significant adverse information on the credit search Vanquis carried out. It is also fair to say that Mr H's external debt had decreased.

By the time of the first two increases, I also need to consider that Mr H had made significant inroads into what he owed on this card. Indeed, Mr H was making payments that were significantly higher than what he needed to make to repay £500 and £1,500.00 within a reasonable period of time, before these limit increases were granted.

So although I think that there were some potential signs that Vanquis needed to monitor going forward, for example Mr H's use of the additional credit, once the limit increase was granted, I'm satisfied that it was reasonable for Vanquis to conclude that Mr H was in a position to afford the increased payments required for the first two credit limit increases.

For the final limit increase, I'm mindful that while Mr H was already making payments consistent with repaying a balance of £2,500.00 within a reasonable period of time, given the amount provided it's arguable that Vanquis ought to have done more. That said, even if I were to conclude that the checks carried out prior to the final limit increase weren't sufficient, I don't think that Vanquis would have made a different decision even if it had asked Mr H for

more information. I say this because at the absolute most it could be said that Vanquis ought to have asked Mr H more about his actual living costs rather than relied on estimates of this.

However, I've not been provided with anything at all that would indicate Mr H's actual living costs were significantly different from the information Vanquis had and which it relied on. So, in these circumstances, it's difficult for me to conclude that Vanquis would have determined that Mr H didn't have sufficient funds to make the repayments for the final credit limit increase. This is even if it had tried to find out more about his circumstances at the time.

In reaching my conclusions, I've also considered whether the lending relationship between Vanquis and Mr H might have been unfair to Mr H under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I've not been persuaded that Vanquis irresponsibly lent to Mr H or otherwise treated him unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

So overall while I can understand Mr H's sentiments, I don't think that Vanquis treated Mr H unfairly or unreasonably when providing him with his credit card or subsequently increasing his credit limit on the occasions that it did. And I'm not upholding Mr H's complaint. I appreciate this will be very disappointing for Mr H. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding 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 2 May 2025.

Jeshen Narayanan
Ombudsman