

The complaint

Mr S complains that Vanquis Bank Limited lent irresponsibly when it approved his credit card application and later increased the credit limit.

What happened

Mr S applied for a credit card with Vanquis in May 2016. In his application Mr S said he had an income of £24,000. Vanquis carried out a credit search and found Mr S had two other credit cards with a total balance of around £5,300. No defaults, missed payments or other adverse credit was found on Mr S' credit file. Vanquis says it applied its lending criteria and approved a credit card with a limit of £1,000.

Vanquis increased the credit limit to £1,500 in September 2016, £2,500 in February 2017, £3,500 in July 2017 and £4,000 in February 2018. Vanquis says that before each credit limit increase it looked at how Mr S' credit card had been administered, checked his credit file and applied its lending criteria. Vanquis has provided evidence that Mr S' highest outstanding balance was £2,341.74 in June 2018.

Mr S made all his payments on time and no late or overlimit fees were applied to his credit card. Mr S repaid the outstanding balance in full by June 2020.

Last year, representatives acting on Mr S' behalf complained that Vanquis lent irresponsibly. Vanquis issued a final response and said it had completed the relevant checks before each lending decision it made and didn't agree it lent irresponsibly. An investigator at this service looked at Mr S' complaint. They felt Vanquis completed reasonable and proportionate checks before approving Mr S' application and increasing the credit limit to £2,500 in February 2017. The investigator didn't make a finding on the final two credit limit increases as Mr S' outstanding balance never exceeding the £2,500 limit approved in February 2017. The investigator wasn't persuaded Vanquis lent irresponsibly and didn't uphold Mr S' complaint.

Mr S' representatives asked to appeal and said Vanquis had failed to complete adequate affordability checks or identify risky spending patterns from Mr S. They also said Mr S was actively gambling during the period he was borrowing from Vanquis which should've shown it lending was a financial risk. Mr S' representatives added that the Vanquis credit card led to a deterioration of his financial position. As Mr S 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 S 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 has supplied a copy of Mr S' application and the credit file data it obtained when reviewing it. I can see Mr S gave an income of £24,000 and also provided details of the household income. Vanquis' credit file found Mr S had two credit cards with a total outstanding balance of around £5,300 and no missed payments or other adverse information. Unfortunately, the affordability checks Vanquis completed no longer remain. But I'm satisfied that reflects the passage of time between the date Mr S applied and the date he complained as businesses aren't required to keep information indefinitely. And I'm satisfied we have sufficient information already on file to reach a fair decision concerning whether Vanquis lent responsibly or not.

Even accepting Mr S was making minimum payments of 5% to his existing credit cards, he would've been paying £265 a month. Using a rough take home income of £1,750, that would've left Mr S with around £1,485 to cover his housing costs, general living expenses and existing credit. In my view, the information available to Vanquis showed Mr S was managing his existing debts well and there were no signs of financial difficulty. I'm satisfied Vanquis carried out reasonable and proportionate checks before approving Mr S' application. And I'm satisfied the decision to approve Mr S' application was reasonable based on the information Vanquis obtained. I'm sorry to disappoint Mr S but I haven't been persuaded Vanquis lent irresponsibly.

The first credit limit increase to £1,500 took place around four months after Mr S opened the credit card. Mr S' payments had all been made on time and the highest outstanding balance was £687 against a credit limit of £1,000. No missed payments or overlimit fees had been applied. A credit search found Mr S' outstanding debts had decreased slightly to around £5,055 and that no new missed payments or other adverse information had been recorded. In my view, Vanquis' decision to increase Mr S' credit limit by £500 was reasonable based on the information it had available. I understand Mr S' representatives say he was gambling around this time, but I've not seen any information that would've led Vanquis to reach that conclusion. Mr S' other borrowing was stable and there was no evidence of recent difficulties on his credit file. In my view, the lending checks Vanquis completed were proportionate to the credit limit increase of £500. I haven't been persuaded Vanquis lent irresponsibly.

Vanquis increased the credit limit to £2,500 in February 2017. I can see Mr S' payments to Vanquis were all made on time and his outstanding balance was always below the credit limit. Mr S' credit file showed his other outstanding debts were just under £5,000 and all his payments had been made on time. No new defaults or other adverse credit was recorded. Again, I understand Mr S' representatives have said he was gambling heavily at this time. But Mr S' other debts remained stable and well handled. And there were no gambling transactions on Mr S' Vanquis credit card. I haven't seen anything that would've led Vanquis to take the view Mr S was gambling at an unsustainable rate or unable to sustainably afford

repayments to a credit limit of £2,500. In my view, Vanquis carried out reasonable and proportionate checks and its decision to increase the credit limit to £2,500 was fair based on the information it obtained.

As our investigator noted, Mr S' outstanding balance didn't go over the £2,500 credit limit approved in February 2017. So even if I were to uphold the final two credit limit increases, there would be no refund due to Mr S. As a result, I'm not going to make a finding on whether Vanquis lent responsibly or not when it increased the credit limit to £3,500 in July 2017 and £4,000 in February 2018.

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 S 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 S' complaint.

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

Marco Manente
Ombudsman