

Complaint

Miss J has complained that Vanquis Bank Limited (“Vanquis”) irresponsibly provided a credit card as well and subsequent credit limit increases to her. She says that all of this credit was unaffordable and caused her continued financial difficulty.

Background

In January 2014, Vanquis initially provided Miss J with a credit card, which had a limit of £500. Vanquis subsequently offered credit limit increases to £1,000.00 in May 2014; £2,000.00 in October 2014; £3,000.00 in March 2015; £3,500.00 in October 2015; and finally £4,000.00 in May 2016.

In November 2023, Miss J complained saying that the credit card and the limit increases Vanquis provided were unaffordable and caused her continued financial difficulty as the repayments resulted in her struggling to repay essentials and having to take out further lending.

Vanquis did not issue a final response to Miss J’s complaint within eight weeks of receiving it and Miss J chose to refer her complaint to our service as a result. When responding to our request for its file on Miss J’s complaint, Vanquis told us that it believed she had complained too late.

One of our investigators reviewed what Miss J and Vanquis had told us. He thought that he hadn’t seen enough to be persuaded that Vanquis failed to act fairly and reasonably either when initially providing Miss J with her credit card the credit limit increases. This meant that the investigator didn’t recommend that Miss J’s complaint be upheld.

Miss J disagreed with the investigator’s conclusions and asked for an ombudsman to look at her 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.

Basis for my consideration of this complaint

There are time limits for referring a complaint to the Financial Ombudsman Service. Vanquis has argued that Miss J’s complaint was made too late because she complained more than six years after the decisions to provide the credit card and all of the credit limit increases as well as more than three years after she ought reasonably to have been aware of her cause to make this complaint.

Our investigator explained why it was reasonable to conclude that Miss J’s complaint was one alleging that the relationship between her and Vanquis was unfair to her as described in s140A of the Consumer Credit Act 1974 (“CCA”). He also explained why this complaint about an allegedly unfair lending relationship had been made in time.

Having carefully considered everything, I've decided not to uphold Miss J's complaint. Given the reasons for this, I'm satisfied that whether Miss J's complaint about the specific lending decisions was made in time or not has no impact on that outcome.

I'm also in agreement with the investigator that Miss J's complaint should be considered more broadly than just those lending decisions. I consider this to be the case as Miss J has not only complained about the respective decisions to lend but has also alleged that these lending decisions created an unfair relationship.

I'm therefore satisfied that Miss J's complaint is a complaint alleging that lending relationship between herself and Vanquis was unfair to her. I acknowledge Vanquis still doesn't agree we can look at Miss J's complaint, but given the outcome I have reached, I do not consider it necessary to make any further comment or reach any findings on these matters.

In deciding what is fair and reasonable in all the circumstances of Miss J's case, I am required to take relevant law into account. As, for the reasons I've explained above, I'm satisfied that Miss J's complaint can be reasonably interpreted as being about the fairness of her relationship with Vanquis, relevant law in this case includes s140A, s140B and s140C of the CCA.

S140A says that a court may make an order under s140B if it determines that the relationship between the creditor (Vanquis) and the debtor (Miss J), arising out of a credit agreement is unfair to the debtor because of one or more of the following, having regard to all matters it thinks relevant:

- any of the terms of the agreement;
- the way in which the creditor has exercised or enforced any of his rights under the agreement;
- any other thing done or not done by or on behalf of the creditor.

Case law shows that a court assesses whether a relationship is unfair at the date of the hearing, or if the credit relationship ended before then, at the date it ended. That assessment has to be performed having regard to the whole history of the relationship. S140B sets out the types of orders a court can make where a credit relationship is found to be unfair – these are wide powers, including reducing the amount owed or requiring a refund, or to do or not do any particular thing.

Given Miss J's complaint, I therefore need to think about whether Vanquis' decision to lend to Miss J and increase her credit limits, or its later actions resulted in the lending relationship between Miss J and Vanquis being unfair to Miss J, such that it ought to have acted to put right the unfairness – and if so whether it did enough to remove that unfairness.

Miss J's relationship with Vanquis is therefore likely to be unfair if it didn't carry out reasonable enquiries into Miss J's ability to repay in circumstances where doing so would have revealed the credit card or limit increases to be irresponsible or unaffordable. And if this was the case, Vanquis didn't then somehow remove the unfairness this created.

Were the decisions to provide the credit card and subsequent credit limit increases unfair?

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 Miss J's complaint.

Bearing in mind Miss J's response to our investigator, I think that it would be helpful for me to set out that we consider what a firm did to check whether any repayments to credit were

affordable (asking it to evidence what it did) and then determine whether this was enough for the lender to have made a reasonable decision on whether to lend.

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 that information – 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, the amount lent was high, or the information the lender had – such as a significantly impaired credit history – suggested the lender needed to know more about a prospective borrower's ability to repay.

That said, I think that it is important for me to explain that our website does not provide a set list of mandated checks that a lender is expected to carry out on every occasion. Indeed, the requirements have not and still do not mandate a list of checks that a lender should use. Any rules, guidance and good industry practice in place over the years has simply set out the types of things that a lender could do when considering whether to lend to a prospective borrower.

It is for a lender to decide which checks it wishes to carry out, although we can form a view on whether we think what was done was fair to the extent it allowed the lender to reasonably understand whether the borrower could make their payments. Furthermore, if we don't think that the lender did enough to establish whether the repayments that a prospective borrower might have to make were affordable, this doesn't on its own mean that a complaint should be upheld.

We would usually only go on to uphold a complaint in circumstances where we were able to recreate what reasonable checks are likely to have shown – typically using information from the consumer – and this clearly shows that the repayments in question were unaffordable.

Vanquis' decisions to provide Miss J with a credit card which had a credit limit of £500, in January 2014, and then increase her credit limit to £1,000.00 in May 2014

Vanquis says it initially agreed to Miss J's application after it obtained information on her income and carried out a credit search. And the information it obtained indicated that Miss J would be able to make the low monthly repayments due for this credit card. Due to Miss J's account being relatively well managed and the information present on the credit checks it carried out, Miss J was then subsequently offered her credit limit increases.

On the other hand, Miss J says that the credit card and the subsequent limit increase were unaffordable and caused her ongoing hardship.

I've considered what the parties have said.

What's important to note is that Miss J was provided with a revolving credit facility rather than a loan. This means that to start with Vanquis was required to understand whether credit limits of £500 and £1,000.00 could be repaid within a reasonable period of time, rather than all in one go. It's fair to say that credit limits of £500 and £1,000.00 didn't require especially large monthly payments in order to clear the full amount that could be owed within a reasonable period of time.

I understand that Vanquis Miss J declared that she received around £21,125.00 a year. Furthermore, the credit search showed that Miss J had a low amount of active credit insofar as she owed less than £1,000.00. That said, Vanquis' credit check did indicate that Miss J had a defaulted account which occurred around two years prior to this application.

Given Miss J's low amount of active credit, Vanquis effectively mitigated the risk of harm by providing such low credit limits and the other information gathered suggesting that Miss J could repay £500 and then £1,000.00 within a reasonable period of time, I cannot reasonably conclude that Vanquis acted unfairly in providing Miss J with her credit card or increasing her credit limit on the first occasion.

As this is the case, I've not been persuaded that Vanquis' decision to provide Miss J with her credit card in January 2014 or increase her credit limit in May 2014 was unfair or that it resulted in unfairness going forward.

Did Vanquis carry out reasonable and proportionate checks before deciding to offer the limit increases from October 2014 onwards to Miss J?

As I've explained in the background section of this decision, Vanquis increased Miss J's credit limit on a further four occasions from October 2014 until it eventually reached £4,000.00 in May 2016.

Vanquis' records suggest that it wasn't aware of Miss J having any defaults accounts or CCJs recorded against her at the respective times of these limit increases. I've not been provided with anything else to indicate that Miss J had any significant adverse information recorded against her at this time either.

However, as Miss J was being provided with limits of £2,000.00, £3,000.00, £3,500.00 and then £4,000.00, I would have expected Vanquis to have found out more about Miss J's income and expenditure before providing these credit limit increases. As Vanquis hasn't provided me with any indication that it did do this, let alone what the results showed, I don't think that the checks it carried out before it increased Miss J's credit limit on the four occasions that it did from October 2014 onwards were reasonable and proportionate.

As this is the case, I'll now proceed to consider whether it is more likely than not that Vanquis finding out more about Miss J's circumstances, would have resulted in it taking different decisions to lend to her.

I've considered the information Miss J has provided us with. Having done so, this information appears to show that Miss J did have the funds, at the respective times of the lending decisions at least, to make the required payments, which she was at the time making.

Miss J has provided some bank account statements. The first thing for me to say is that Vanquis did not need to obtain Miss J's bank statements before lending. So I've not looked at these bank account statements because Vanquis ought to have obtained them from Miss J.

Nonetheless, these statements don't clearly show me that Miss J was struggling financially. Indeed the nature of Miss J's transactions, which on the whole appear to have been discretionary, don't show me that she obviously couldn't make the required payments to this credit card. Equally, it is only fair and reasonable for me to uphold a complaint in circumstances where I can see that any additional credit provided was unaffordable and for the reasons I've explained, I don't think that further checks would have shown that this was the case.

For the sake of completeness, I'm also mindful that all of the credit limit increases were offered over a period of almost two and a half years from the decision to offer the card. Most importantly, I can't see that this is a case where Miss J immediately used all of the available credit and then remained stuck at the upper end of what she owed either. I also need to

consider all of this in the context of what I've said about the fact that Miss J didn't have any other adverse information recorded against her, which suggests that she was managing what she already had too.

Therefore, this isn't a case where I can reasonably say that the limit increases and Miss J's account usage ought reasonably to have shown Vanquis that Miss J's indebtedness, on her credit card, was rapidly increasing in an uncontrollable way, or that the pattern of lending here ought reasonably to have led Vanquis to conclude that the facility had become demonstrably unsustainable for Miss J either.

So overall and having carefully considered everything and while I appreciate that this will disappoint Miss J, I've not been persuaded that proportionate checks would have shown Vanquis that it shouldn't have provided the credit limit increases from October 2014. Furthermore, I don't think that Miss J's pattern of borrowing meant that Vanquis offered these credit limit increases in circumstances where it ought reasonably to have realised that they may have been unsustainable or otherwise harmful for her either.

Overall, and based on the available evidence I don't find that Miss J's relationship with Vanquis was unfair. I've not been persuaded that Vanquis created unfairness in its relationship with Miss J by irresponsibly lending to her whether when initially agreeing to provide her with a credit card, or in respect of offering the credit limit increases to her. I don't find Vanquis treated Miss J unfairly in any other way either based on what I've seen.

So overall and having considered everything, while I can understand Miss J's sentiments and appreciate why she is unhappy, I'm nonetheless not upholding this complaint. I appreciate this will be very disappointing for Miss J. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Miss J's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss J to accept or reject my decision before 4 April 2025.

Jeshen Narayanan
Ombudsman