

The complaint

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

What happened

Mr W applied for a credit card with Vanquis in February 2019. In his application, Mr W said he was employed with an annual income of £16,800 and renting at £215 a month. Vanquis checked Mr W's credit file and found a hire purchase agreement with monthly repayments of £153. Vanquis also found a utilities account and a communications account that was two payments in arrears. No defaults or other adverse credit was found on Mr W's credit file. Vanquis applied outgoings obtained from ONS statistics to Mr W's income along with the cost of servicing his existing credit commitments. Vanquis said Mr W had a disposable income of £529 a month after covering his existing outgoings. Vanquis approved a credit card with a limit of £150.

The credit limit was increased to £300 in January 2022 and £600 in March 2023. In 2024, the account fell into arrears and was ultimately closed at default. Last year, representatives acting on Mr W's behalf complained that Vanquis lent irresponsibly. Vanquis issued a final response but didn't uphold Mr W's complaint. Vanquis said it had carried out the relevant lending checks before approving Mr W's application and later increasing the credit limit and didn't agree it had lent irresponsibly.

An investigator at this service looked at Mr W's complaint. The investigator thought Vanquis completed reasonable and proportionate checks before approving Mr W's application and later increasing the credit limit, even accepting some negative information on his credit file. The investigator wasn't persuaded Vanquis lent irresponsibly and didn't uphold Mr W's complaint.

Mr W's representatives asked to appeal and said Vanquis had been reckless in the way it lent to him. Mr W's representatives added that they felt Vanquis had failed to complete proper affordability checks. As Mr W's representatives 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 W 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.

When Mr W applied he gave details of his income of £16,800 that Vanquis calculated left him with £1,314 a month. Vanquis applied estimates for Mr W's outgoings for rent and his normal living expenses it obtained from nationally recognised statistics. I've looked at the figures Vanquis used for Mr W's outgoings and am satisfied they were reasonable.

Vanquis carried out a credit search that found Mr W had a hire purchase agreement with monthly payments of £153 along with a utilities account that had a balance of £30. A communications account with a balance of £159 was found that was two payments in arrears. No other adverse credit was found on Mr W's credit file. Whilst I can see two missed payments, they appear to have been isolated in terms of how Mr W had handled his other accounts. And Vanquis has confirmed it was aware of the missed payments and that it took them into account, in line with its lending criteria. I also think it's reasonable to note that the credit limit Vanquis was considering was low at £150, meaning the risk of Mr W becoming overcommitted was low.

Applying its lending criteria, Vanquis says Mr W had an estimated disposable income of £529 after meeting his existing commitments and new credit card payments. In my view, the level and nature of checks completed by Vanquis were reasonable to the credit limit of £150 it went on to approve. I haven't been persuaded that Vanquis needed to carry out further checks before deciding to lend or that it lent irresponsibly by approving a credit card with a limit of £150.

Before increasing Mr W's credit limit to £300 in January 2022 Vanquis says it looked at his account history. I note Mr W repaid the balance in full in January 2020 and didn't use his card again until October 2020. From that point, Mr W's balance was generally below 50% of his credit limit. All payments were made on time and there were no charges for going over Mr W's credit limit. In my view, Mr W's account was well handled with no obvious signs he was struggling.

Mr W's credit file shows a default was recorded around May 2019. The default was 33 months old. The credit file data showed Mr W had missed a payment in September 2021 but there were no other issues found. Vanquis has also supplied copies of its affordability calculations that show it considered Mr W's existing repayments, rent and cost of living. I again think it's reasonable to take into account that the credit limit increase was reasonably small at £150. The affordability calculations indicated Mr W's disposable income was more than sufficient to cover a credit limit increase of £150, taking the limit to £300. In my view, the level and nature of checks Vanquis completed were reasonable. And I'm satisfied the decision to increase Mr W's credit limit to £300 was reasonable based on the information Vanquis obtained.

The credit limit was increased to £600 in March 2023. Mr W's credit card payments had all been made in full and on time. Mr W's credit card history shows the balance was well below the credit limit and his account was administered well. Again, Vanquis carried out an affordability assessment that indicated Mr W's disposable income was more than sufficient to cover an increase of £300 to the existing credit limit, taking it to £600. I've looked at the

credit file information Vanquis obtained. There were no new missed payments, defaults or other adverse credit and Mr W's outstanding balances totalled around £12,000 in March 2023. In my view, the information on Mr W's credit file indicated he was in a stable financial position and not struggling. And whilst this was the second credit limit increase Vanquis approved, the resulting credit limit was still reasonably low at £600. Overall, I'm satisfied the nature and level of checks Vanquis completed were reasonable in terms of a credit limit of £600 and the information it had about Mr W. In my view, the decision to increase Mr W's credit limit to £600 was reasonable based on the information Vanquis obtained. I'm very sorry to disappoint Mr W but I haven't been persuaded that Vanquis lent irresponsibly.

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 W 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 W's complaint.

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

Marco Manente
Ombudsman