

## **The complaint**

Mrs S complains that Vanquis Bank Limited lent irresponsibly when it approved her credit card application and went on to increase the credit limit.

## **What happened**

Mrs S applied for a Vanquis credit card in August 2014. In her application, Mrs S said she was employed with an annual income of £19,000. Vanquis completed a credit search and found a County Court Judgement (CCJ) that was 16 months old and defaults that were 37 months old. An open communications account was found on Mrs S' credit file and Vanquis said she had an outstanding balance of around £100. Vanquis says it applied its lending criteria to Mrs S' application and approved a credit card with a limit of £500.

Mrs S used her credit card and Vanquis went on to increase the credit limit to £1,000 in January 2015, £2,000 in June 2015, £3,000 in November 2015 and £3,500 in June 2016. Vanquis says it checked Mrs S' repayments and credit file each time before increasing the credit limit to ensure repayments were affordable.

The credit card was used until September 2018 when the balance was repaid. The account was closed in November 2019. No missed payments or charges for exceeding Mrs S' credit limit were applied. The highest outstanding balance was £2,447.49 in October 2016.

Last year, representatives acting on Mrs S' behalf complained that Vanquis lent irresponsibly. The representatives have pointed to the CCJ Mrs S had on her credit file when she first applied and say Vanquis failed to complete reasonable checks before increasing the credit limit within a short period of time. Vanquis issued a final response but didn't uphold Mrs S' complaint. Vanquis said it had carried out the relevant lending checks and didn't agree it lent irresponsibly to Mrs S.

An investigator at this service looked at Mrs S' complaint. They thought Vanquis had completed reasonable and proportionate checks before approving Mrs S' application and later increasing the credit limit and didn't agree it lent irresponsibly. Mrs S' representatives asked to appeal and said the original lending decision and credit limit increases all took place within an 18 month period. They also said Vanquis had failed to complete the reasonable checks to confirm affordability of the increased credit limits and pointed to the CCJ on Mrs S' credit file which should've been red flags. As Mrs S' representatives asked to appeal, her 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 by increasing the credit limit, the rules say Vanquis had to complete reasonable and proportionate checks to ensure Mrs 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.

Mrs S' representatives have made the point that she'd incurred a CCJ around 16 months before her application to Vanquis was made. I agree that CCJ's can be a sign of financial difficulty or instability. But here, the CCJ was 16 months old and no new adverse credit had been recorded on Mrs S' credit file since that time. So whilst I can see there was a CCJ, it appears Mrs S' circumstances had stabilised since that point. Mrs S had no other outstanding debts and her only monthly commitment on the credit file was with a communications supplier. So whilst I note Mrs S' representatives comments, I'm satisfied Vanquis was aware of the CCJ and took it into account when applying its lending criteria.

Unfortunately, due to the passage of time, some of the information Vanquis used when considering the application and increasing Mrs S' credit limit no longer remains. Whilst we've been given copies of the application information Mrs S submitted and the credit file results Vanquis obtained, the affordability checks aren't available. Businesses aren't obliged to retain information and documents indefinitely and I note the application and credit limit increases were all applied between around ten and eight years before the complaint was made. With that said, I'm satisfied we have enough information available to reach a fair lending decision.

As noted above, the only regular credit commitment found on Mrs S' credit file was for a communications supplier. Mrs S also confirmed she had an income of £19,000 so I'm satisfied she would've had the majority of her take home earnings available to cover items like her housing costs, general living expenses and regular outgoings. I also think it's reasonable to say the initial credit limit was reasonably low at £500. Even accepting Mrs S had defaults and a CCJ on her credit file, I think the level and nature of checks Vanquis completed were reasonable and proportionate to the lending it went on to offer. And I'm satisfied the decision to approve Mrs S' credit card was reasonable based on the information Vanquis obtained.

I can see that Mrs S' credit card was well managed. Mrs S' balance wasn't immediately at the credit limit, with the highest outstanding amount being £407 the month before the credit limit was increased to £1,000. There were no missed payments and no default charges applied. Mrs S' credit file shows she didn't owe anything to other lenders which, to me, indicates her circumstances remained stable. I note no new adverse credit, defaults or missed payments were recorded on Mrs S' credit file. In my view, the information available to Vanquis indicated Mrs S was in a position to sustainably afford repayments to a credit card with a limit of £1,000. I'm sorry to disappoint Mrs S but I haven't been persuaded Vanquis lent irresponsibly when it increased her credit limit to £1,000.

The second credit limit increase was approved around five months later. Again, Mrs S' Vanquis payments had all been made on time and no default charges were applied. Mrs S'

credit file showed no evidence of new adverse credit and no missed payments. In addition, no new debts were found, again indicating Mrs S was in a stable position. Overall, I haven't seen anything that would've indicated to Vanquis Mrs S was struggling or overcommitted. In my view, the level of checks completed before increasing the credit limit to £2,000 was reasonable to the increased credit limit. And I think the decision to increase the credit limit to £2,000 was reasonable based on the information Vanquis found.

Mrs S' credit limit was increased to £3,000 around five months after the previous credit limit increase. Whilst Mrs S' credit limit had increased to £2,000 her outstanding balance was generally well below that point. All Mrs S' payments had been made and no default charges were applied to the account. Mrs S' credit file shows she'd taken on some new debt and now owed around £6,250. But Mrs S' credit file shows no evidence of any missed payments for at least two years and that, by this point, she'd reduced the CCJ balance substantially by making regular payments. In my opinion, the information available indicated Mrs S was managing her accounts well and that she was able to sustainably afford repayments to an increased credit limit of £3,000. In my view, the decision to approve the credit limit increase to £3,000 was reasonable based on the information Vanquis obtained. I'm sorry to disappoint Mrs S but I haven't been persuaded Vanquis lent irresponsibly.

Vanquis increased the credit limit to £3,500 in June 2016 but Mrs S' balance never exceeded the previous £3,000 credit limit. That means, even if I were to uphold this part of Mrs S' complaint, there would be no refund due. As there's been no loss to Mrs S by increasing the credit limit to £3,500 I'm not going to comment further on whether Vanquis lent irresponsibly.

In response to the investigator, Mrs S' representatives said she wasn't informed about the credit limit increases before they were put in place. But Vanquis' final response confirms it wrote to Mrs S in advance of the credit limit increases. And the way Mrs S used her Vanquis credit card strongly indicates she was aware when Vanquis increased. Mrs S utilised the increased credit limits shortly after approval and maintained her account in good order.

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 Mrs S or otherwise treated her 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.

I'm very sorry to disappoint Mrs S but as I haven't been persuaded that Vanquis lent irresponsibly, I'm not upholding her complaint.

### **My final decision**

My decision is that I don't uphold Mrs S' complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 23 April 2025.

Marco Manente  
**Ombudsman**