

The complaint

Mr Y complains that Vanquis Bank Limited (Vanquis) shouldn't have agreed to a credit card and subsequent credit limit increase as they were unaffordable.

In bringing his complaint Mr Y is represented by a third party. For ease of reading I will only refer to Mr Y in my decision.

What happened

In August 2019 Mr Y applied for a credit card. His application was successful, and Vanquis approved a credit card with a £250 credit limit. In April 2022 Vanquis increased Mr Y's credit limit to £500. Mr Y said he struggled to meet the repayments and his account was subsequently sold on for debt collection. He complained to Vanquis as he said they hadn't properly checked his financial situation before they agreed to lend to him.

Vanquis said they'd checked Mr Y's income and credit history and based on this both the initial credit card and subsequent credit limit increase were affordable for him.

Mr Y wasn't happy with Vanquis' response and referred his complaint to us.

Our investigator said the checks done by Vanquis were reasonable and proportionate and that they'd made a fair lending decision.

Mr Y didn't agree and asked for an ombudsman to decide.

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.

I understand Mr Y will be disappointed by my decision. But having done so I'm not upholding his complaint I'll explain why.

I've considered the relevant rules, guidance and good industry practice when someone complains about irresponsible and/or unaffordable lending. There are two overarching questions I need to consider to decide what's fair and reasonable in all of the circumstances of the complaint. These are:

1. Did Vanquis complete reasonable and proportionate checks to satisfy themselves that Mr Y would be able to repay the credit in a sustainable way?

a. if so, did Vanquis make a fair lending decision?

b. if not, would reasonable and proportionate checks have shown that Mr Y could sustainably repay the borrowing?

2. Did Vanquis act unfairly or unreasonably in some other way?

There's no prescribed list of checks a lender should make. But the kind of things I expect lenders to consider include - but are not limited to the type and amount of credit, the borrower's income and credit history, the amount and frequency of repayments, as well as the consumer's personal circumstances.

Mr Y was being provided with a revolving credit facility rather than a loan. And this means that Vanquis was required to understand whether a credit limit of £250 could be repaid within a reasonable period, rather than all in one go. It's fair to say that a credit limit of £250 required low monthly payments to clear the full amount owed within a reasonable period.

I've looked at what checks Vanquis said they did when initially approving Mr Y's application. Vanquis said they looked at information provided by credit reference agencies (CRA) and information that Mr Y had provided before approving his application.

The information showed that Mr Y had declared a gross annual salary of £20,000 and was self-employed. The credit check showed Mr Y had two current accounts, a charge card and car insurance. Mr Y didn't have any arrears on his active accounts whilst he'd previous financial difficulties these were showing as historic being around 15 months prior to the lending. I can see Vanquis considered housing and living costs alongside Mr Y's credit commitments. Based on their assessment Mr Y had sufficient disposable income to sustain the repayments.

Given the amount Mr Y was looking to borrow, £250 I don't think there was a need for Vanquis to carry out a full verification of Mr Y circumstances, as they were already aware of his income and they'd a good understanding of his existing credit commitments from the CRA. So, I'm satisfied Vanquis' checks were reasonable and proportionate.

When entering into a regulated credit agreement for running account credit, Vanquis should assume that Mr Y would draw down the entire credit limit at the earliest opportunity and would be able to repay by equal instalments over a reasonable period. I'd expect that this would have seen Mr Y have to pay around £13 a month. I can see that Vanquis in their credit affordability assessment applied an amount of £21 a month. Given Mr Y's income and credit history I think this would have been sustainable for him. So, I think Vanquis made a fair lending decision to approve Mr Y's application.

I've looked at the information available to Vanquis when they increased Mr Y's credit limit in April 2022 to £500. Added to the information that Vanquis had available to them from the CRA they also could see how Mr Y managed his credit card account.

This showed that Mr Y still had two current accounts, a charge card and insurance. He was contributing to his rent, and his historic financial difficulties were now 58 months prior to the lending. And Mr Y was managing his credit card account at times paying more than the minimum amount due.

So, I'm satisfied that the checks Vanquis carried out here, prior to approving the credit limit increase of an additional £250 to £500 were proportionate. The increased limit would have meant Mr Y would be indebted by around £12 more each month if he again drew down the full amount so a monthly repayment of around £25. Mr Y paid at times more than this amount each month and I haven't seen any evidence that he accrued any charges for over the limit or late fees. So, I think Vanquis made a fair lending decision to approve Mr Y's credit limit increase to £500.

I've also considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. But for the reasons I've already given, I don't think Vanquis lent irresponsibly to Mr Y or otherwise treated him unfairly. I haven't seen anything to

suggest that s140A or anything else would, given the facts of this complaint, lead to a different outcome here.

My final decision

I don't uphold this complaint.

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

Anne Scarr
Ombudsman