

## **The complaint**

Mr L complains that Vanquis Bank Limited lent irresponsibly when it approved his credit card application and went on to increase the credit limit.

## **What happened**

Mr L applied for a Vanquis credit card in July 2020. In his application, Mr L said he was employed with an income of £24,000 and renting at £450 a month. Vanquis applied an estimate for Mr L's regular living expenses of £557. Vanquis also carried out a credit search that showed Mr L had defaults, the newest of which was around 13 months old, and a missed payment in the previous month. The credit search found no outstanding debts in Mr L's name except an insurance commitment of £72 a month. Vanquis says that applying its lending criteria it found Mr L had an estimated disposable income of £518. Vanquis approved Mr L's application and issued a credit card with a limit of £250.

Vanquis increased the credit limit to £1,000 in June 2021, £1,750 in December 2021, £2,300 in April 2022 and £3,000 in August 2022. Before each credit limit increase Vanquis contacted Mr L and asked him to submit information about his circumstances. Vanquis also checked Mr L's credit file to see how his other commitments were being handled.

Last year, representatives acting on Mr L's behalf complained that Vanquis lent irresponsibly and it issued a final response. Vanquis said it had completed the relevant lending checks before approving Mr L's application and increasing the credit limit and didn't uphold his complaint.

An investigator at this service looked at Mr L's complaint. They thought Vanquis had completed reasonable and proportionate checks before approving Mr L's credit card and increasing the credit limit and didn't agree it lent irresponsibly. Mr L's representatives asked to appeal and pointed out Mr L's other debts had increased significantly during the period of borrowing from Vanquis. They also said that Vanquis had failed to complete reliable affordability checks and disregarded information found on his credit file during the credit limit increase process. As Mr L'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 L 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 L applied in July 2020 Vanquis carried out a credit search. I've reviewed the results and found there were various defaults recorded on Mr L's credit file. But I think it's fair to note the most recent default was recorded 13 months before Mr L's application and Vanquis has confirmed they took them into account when deciding whether to proceed. At the point of application, Mr L had no other outstanding debts beyond a car insurance commitment of £72 a month. There were no recent arrears recorded and to me it looks like Mr L's situation had stabilised since the defaults were recorded. I can also see Vanquis took Mr L's income and rent into account when considering the application along with making estimates for his regular outgoings. Vanquis reached the view that Mr L had an estimated disposable income of £518 a month. I've taken into account the initial credit limit was low at £250. In my view, the level and nature of the checks Vanquis completed were reasonable and proportionate to the amount and type of borrowing it went on to approve. And I'm satisfied the decision to approve Mr L's application was fair in light of the information Vanquis obtained.

In June 2021 Vanquis completed a similar set of checks before increasing the credit limit to £1,000. No new defaults, adverse credit or recent missed payments were found on Mr L's credit file. Mr L had a small outstanding balance of £259 with other lenders. And I can see that Vanquis asked Mr L to submit details of his income of £1,668, rent of £400 and general living expenses of £250 a month. Overall, Vanquis says Mr L had total outgoings of £887 and was receiving an estimated disposable income of £781. Whilst I'm aware the increase to £1,000 was reasonable large when compared against the existing limit of £250, I think the checks Vanquis completed were reasonable and proportionate in the circumstances. Mr L had little in the way of other debt, his Vanquis payments had been made on time without any charges being applied and I haven't seen anything that would've indicated to Vanquis he was struggling. In my view, the decision to increase Mr L's credit limit was reasonable based on the information Vanquis obtained.

I can see Mr L incurred an overlimit charge in September 2021. But the account was brought back in line with the credit limit the following month and no further charges have since been applied. In December 2021 Vanquis looked at Mr L's account and credit file and took the decision to increase the credit limit to £1,750. Whilst I can see the overlimit fee, that appears to have been an isolated incident. And Mr L's credit file didn't show any other missed payments or new adverse credit. And Mr L had an outstanding balance of around £488 with other lenders. Again, I can see Vanquis asked Mr L about his circumstances before increasing the credit limit and he confirmed his income, rent and general living expenses before the credit limit was increased. Even accepting the overlimit charge applied to Mr L's Vanquis account, I haven't seen evidence that shows he was overcommitted or struggling to sustainably afford his existing commitments. In my view, the level and nature of checks completed were proportionate to the credit limit increase Vanquis approved. I'm satisfied the decision to increase Mr L's credit limit was reasonable in terms of the information Vanquis found.

Mr L's circumstances appear to have changed before the credit limit increase to £2,300 in April 2022. I can see that Mr L was again asked to confirm his circumstances. But his response gave a lower monthly income, lower cost of living figure and lower rent figure. I

also think it's reasonable to note Mr L's other unsecured debts increased to £7,150 in the four months since the previous credit limit. In my view the increase in Mr L's other debts could've been grounds for Vanquis to complete more detailed checks before increasing the credit limit to £2,300 in April 2022. We recently contacted Mr L's representatives to ask for copies of Mr L's bank statements for the three months before the April 2022 credit limit increase as well as the August 2022 increase so I could get a clearer picture of his circumstances. But the statements weren't provided so I've gone on to review the complaint based on the information on file.

Before the increase to £2,300 in April 2022 Mr L's credit file shows that whilst his unsecured borrowing had increased, it was two years since he'd missed a payment. No new adverse credit or defaults were recorded on Mr L's credit file. No new overlimit or late fees were applied to Mr L's credit card following the previous credit limit increase. And I can see that Mr L submitted figures for his regular income and outgoings to Vanquis before the credit limit was increased that showed he had sufficient disposable income to sustainably afford repayments to the increased credit limit. I'm sorry to disappoint Mr L but I'm satisfied the decision to increase the credit limit to £2,300 was reasonable and haven't been persuaded Vanquis lent irresponsibly.

By the time Mr L's credit limit was increased to £3,000 in August 2022 his other unsecured debts had reduced to £6,000. No new missed payments, defaults or other adverse credit was found on Mr L's credit file. And no new overlimit or late fees had been applied to Mr L's Vanquis credit card since the previous credit limit increase. Again, Mr L submitted figures for his regular income and outgoings to Vanquis that were used to complete an affordability assessment. Looking at the information Vanquis had available, I haven't seen anything that would've indicated Mr L was struggling or experiencing financial difficulties at the time it increased his credit limit. Overall, I'm satisfied the decision to increase Mr L's credit limit was reasonable based on the information Vanquis had available. I'm very sorry to disappoint Mr L but as I'm satisfied Vanquis' decision to increase the credit limit to £3,000 in August 2022 was reasonable based on the information it had, I'm unable to agree it lent irresponsibly. As a result, I'm unable to uphold Mr L's complaint.

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 L 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 L's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss L to accept or reject my decision before 23 May 2025.

Marco Manente  
**Ombudsman**