DRN-5381195

The complaint

Mr F has complained about a credit card he took out in February 2014 with Vanquis Bank Limited. He's said the credit card was unaffordable and shouldn't have been approved.

Mr F is represented in bringing his complaint, but for ease I've written as if we've dealt directly with him throughout.

What happened

Mr F took out this Vanquis credit card account in February 2014 with a credit limit of £500. The credit limit was increased four times until it reached £3,000 in February 2016.

Mr F complained to Vanquis to say the credit card should never have been provided to him. Vanquis didn't think the complaint had been made in time.

Although it thought the complaint had been made too late, Vanquis gave us its consent to investigate when the complaint was referred to our service, so we didn't need to make a decision about our jurisdiction.

Our Investigator didn't recommend the complaint be upheld as they thought the lending wasn't unaffordable.

Mr F didn't accept our Investigator's findings, so the complaint has been passed to me 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.

The Financial Conduct Authority (FCA) sets out in a part of its handbook known as CONC what lenders must do when deciding whether or not to lend to a consumer. In summary, a firm must consider a customer's ability to make repayments under the agreement without having to borrow further to meet repayments or default on other obligations, and without the repayments having a significant adverse impact on the customer's financial situation.

CONC says a firm must carry out checks which are proportionate to the individual circumstances of each case. What is proportionate will vary with each lending decision and considers things such as (but not limited to): the amount of credit, the size of the repayments, the cost of the credit, the purpose the credit was taken out for and the consumer's circumstances.

What's important to note is that Mr F was provided with a revolving credit facility rather than a loan. And this means that to start with Vanquis was required to understand whether a credit limit of £500 (and then increasing until it ended at £3,000) could be repaid within a reasonable period of time, rather than all in one go.

Vanquis asked Mr F for information when he applied for this credit card in 2014, including his income. Vanquis also obtained a credit report for Mr F in order to establish what his current credit commitments were and how he'd been managing those commitments.

Original application

Mr F wasn't an existing customer of Vanquis. He declared on the application he had a household income of £18,000. Vanquis has said that Mr F had no CCJs or recent defaults, and all his credit commitments were showing as up to date with no recent missed payments, and he had no active payday loans.

It then carried out an affordability assessment using Mr F's payments to creditors from his credit report and his other living expenses. CONC allows businesses to use statistical data to estimate a customer's non-discretionary expenditure unless they have reasonable cause to suspect that the data might not be reasonably representative in the customer's specific situation.

Having completed these checks, Vanquis decided that Mr F could afford a card with a credit limit of £500. I think these checks were proportionate given the credit offered and Mr F's circumstances.

Based on Mr F's declared income his net monthly income was around £1,250, and his credit commitments at the time were small (with a balance of around £100). Once his normal living costs were factored in it seems he would be able to maintain a card with a credit limit of £500. Having considered everything very carefully I think that Vanquis made a fair lending decision for the original application in February 2014.

First credit limit increase

The credit limit was increased to £1,000 in August 2014. At the time Vanquis didn't ask Mr F if his circumstances had changed, it instead looked at how Mr F had managed his account and his credit file information.

Having completed these checks, Vanquis decided that Mr F could afford an increased credit limit of £1,000.

The information obtained by Vanquis at that time indicated Mr F's external existing credit commitments had a balance of around £140, and he had no CCJs or recent defaults, and all his credit commitments were showing as up to date with no recent missed payments, and he had no active payday loans. Mr F was only using around £275 of his £500 credit limit, had not taken any cash advances on the card and had made more than the minimum required monthly payments.

I think these checks were proportionate given the credit offered and Mr F's circumstances.

Once his normal living costs were factored in it seems he would be able to maintain a card with a credit limit of £1,000. Having considered everything very carefully I think that Vanquis made a fair lending decision for the first credit limit increase in August 2014.

Second credit limit increase

The credit limit was increased to £1,750 in March 2015. At the time Vanquis didn't ask Mr F if his circumstances had changed, it instead looked at how Mr F had managed his account and his credit file information.

Having completed these checks, Vanquis decided that Mr F could afford an increased credit limit of £1,750.

The information obtained by Vanquis at that time indicated Mr F's external existing credit commitments had a balance of around £320, and he had no CCJs or recent defaults, and all his credit commitments were showing as up to date with no recent missed payments, and he had no active payday loans. Mr F was using around £970 of his £1,000 credit limit and had been doing so for a number of months.

He had, by now, started making only the minimum monthly payments and had taken a cash advance from his credit card around the time the first credit limit increase had been put in place.

Due to the change in account behaviour and the size of the credit limit increase, I agree with our Investigator that Vanquis should have found out more about Mr F's circumstances for this credit limit increase. Having considered everything very carefully, I don't think the checks were proportionate.

I have therefore considered what the results of these better checks would have been and how they ought to have affected Vanquis's lending decision for the March 2015 increase.

To understand Mr F's circumstances around the time of the credit limit increase, I've reviewed his bank statements. In the absence of further checks by Vanquis, I think it's fair in the circumstances to rely on Mr F's actual circumstances at the time. To be clear, I'm not suggesting this is the information Vanquis should have relied on, rather that it is the information I have and I think it's reasonable for me to rely on it when considering what a proportionate check in March 2015 might have revealed.

When the credit limit was increased, the bank statements showed Mr F's net income was around £1,300 a month. The external debt Mr F was paying was around £75 a month (one credit card and one mail order account). Whilst Mr F's representative has said he had a loan and two other credit card accounts I can't find any evidence of those being held at the time of this credit limit increase, with them not appearing on the credit report Vanquis obtained, nor were payments being made to them from the bank account Mr F has provided the statements for. They appear on his bank statements in later years, so I can only assume they were taken out some time after this credit increase so wouldn't have been relevant to the lending decision in March 2015.

There were no signs of any financial distress, such as the use of payday loans, returned direct debits or persistent overdraft debt (with Mr F not being overdrawn at all).

Mr F's bank statements show a high level of discretionary, non-essential outgoings which aren't fixed. Having very carefully considered all Mr F's circumstances and his bank statements, if Vanquis had asked further questions or sought further information from Mr F, I'm satisfied it would have still reached the same outcome and increased Mr F's credit limit to £1,750. So while I'm persuaded the checks Vanquis made were not proportionate, I'm not persuaded that the decision to increase Mr F's credit limit was unfair and so it follows that I'll not be asking Vanquis to do anything further.

Third credit limit increase

The credit limit was increased to £2,500 in August 2015. At the time Vanquis didn't ask Mr F if his circumstances had changed, it instead looked at how Mr F had managed his account and his credit file information.

Having completed these checks, Vanquis decided that Mr F could afford an increased credit limit of £2,500.

Mr F had only had the £1,750 credit limit for a few months, and in that time his debt had increased up to around £1,650 of his £1,750 credit limit. He had continued to only make the minimum monthly payments.

Due to the account behaviour and the size of the credit limit increase, I agree with our Investigator that Vanquis should have found out more about Mr F's circumstances for this credit limit increase. Having considered everything very carefully, I don't think the checks were proportionate.

I have therefore considered what the results of these better checks would have been and how they ought to have affected Vanquis's lending decision for the August 2015 increase.

To understand Mr F's circumstances around the time of the credit limit increase, I've reviewed his bank statements. In the absence of further checks by Vanquis, I think it's fair in the circumstances to rely on Mr F's actual circumstances at the time. To be clear, I'm not suggesting this is the information Vanquis should have relied on, rather that it is the information I have and I think it's reasonable for me to rely on it when considering what a proportionate check in August 2015 might have revealed.

When the credit limit was increased, the bank statements showed Mr F's net income remained at around £1,300 a month. The external debt Mr F was paying was around £100-£130 a month (one credit card and one mail order account). Whilst Mr F's representative has said he had a loan and two other credit card accounts I can't find any evidence of those being held at the time of this credit limit increase, with them not appearing on the credit report Vanquis obtained, nor were payments being made to them from the bank account Mr F has provided the statements for. They appear on his bank statements in later years, so I can only assume they were taken out some time after this credit increase so wouldn't have been relevant to the lending decision in August 2015.

There were no signs of any financial distress, such as the use of payday loans, returned direct debits or persistent overdraft debt (with Mr F not being overdrawn at all).

Mr F's bank statements show a high level of discretionary, non-essential outgoings which aren't fixed. Having very carefully considered all Mr F's circumstances and his bank statements, if Vanquis had asked further questions or sought further information from Mr F, I'm satisfied it would have still reached the same outcome and increased Mr F's credit limit to £2,500. So while I'm persuaded the checks Vanquis made were not proportionate, I'm not persuaded that the decision to increase Mr F's credit limit was unfair and so it follows that I'll not be asking Vanquis to do anything further.

Fourth credit limit increase

The credit limit was increased to £3,000 in February 2016. At the time Vanquis didn't ask Mr F if his circumstances had changed, it instead looked at how Mr F had managed his account and his credit file information.

Having completed these checks, Vanquis decided that Mr F could afford an increased credit limit of £3,000.

Mr F had only had the £2,500 credit limit for a few months, and in that time his debt had increased up to around £2,450 of his £2,500 credit limit. He had continued to only make the minimum monthly payments and had taken three cash advances from his credit card in October and November 2015.

Due to the account behaviour, I agree with our Investigator that Vanquis should have found out more about Mr F's circumstances for this credit limit increase. Having considered everything very carefully, I don't think the checks were proportionate.

I have therefore considered what the results of these better checks would have been and how they ought to have affected Vanquis's lending decision for the February 2016 increase.

To understand Mr F's circumstances around the time of the credit limit increase, I've reviewed his bank statements. In the absence of further checks by Vanquis, I think it's fair in the circumstances to rely on Mr F's actual circumstances at the time. To be clear, I'm not suggesting this is the information Vanquis should have relied on, rather that it is the information I have and I think it's reasonable for me to rely on it when considering what a proportionate check in February 2016 might have revealed.

When the credit limit was increased, the bank statements showed Mr F's net income remained at around £1,300 a month. The external debt Mr F was paying was around £175-£210 a month (one credit card and one mail order account) until a further credit card appears on Mr F's bank statements in late January 2016 with a payment of £10 being made (which was not one of the debts named by Mr F's representative). Whilst Mr F's representative has said he had a loan and two other credit card accounts (not the one I've made reference to above) I can't find any evidence of those being held at the time of this credit limit increase, with them not appearing on the credit report Vanquis obtained, nor were payments being made to them from the bank account Mr F has provided the statements for. They appear on his bank statements in later years, so I can only assume they were taken out some time after this credit increase so wouldn't have been relevant to the lending decision in February 2016.

There were no signs of any financial distress, such as the use of payday loans, returned direct debits or persistent overdraft debt (with Mr F not being overdrawn at all).

Mr F's bank statements show a high level of discretionary, non-essential outgoings which aren't fixed. Having very carefully considered all Mr F's circumstances and his bank statements, if Vanquis had asked further questions or sought further information from Mr F, I'm satisfied it would have still reached the same outcome and increased Mr F's credit limit to £3,000. So while I'm persuaded the checks Vanquis made were not proportionate, I'm not persuaded that the decision to increase Mr F's credit limit was unfair and so it follows that I'll not be asking Vanquis to do anything further.

Overall, I am not persuaded that Vanquis lent to Mr F in an irresponsible manner or that it treated him unfairly. In reaching my conclusions, I've also considered whether the lending relationship between Vanquis and Mr F might have been unfair to Mr F under section 140A of the Consumer Credit Act 1974.

However, for the reasons I've explained, I don't think Vanquis irresponsibly lent to Mr F or otherwise treated him unfairly in relation to this matter. And 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 therefore not upholding Mr F's complaint.

I appreciate this is likely to be very disappointing for Mr F but I hope he'll understand the reasons for my decision.

My final decision

I don't uphold this complaint

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 19 August 2025.

Julia Meadows
Ombudsman