

The complaint

Mr S, who is represented by a third party, complains that Vanquis Bank Limited ('Vanquis') irresponsibly granted him a credit card account he couldn't afford to repay.

What happened

Mr S entered into an agreement with Vanquis to have access to credit by way of a credit card account. The account was opened in October 2016 with a credit limit of £250. This increased to £1,000 in July 2018, then to £1,750 in December 2018 and finally to £2,250 in May 2019.

Mr S started getting into significant difficulties with managing his account in early 2020, leading to him being sent a notice of default in April that year.

In March 2022 the outstanding amount on the account was sold to a third party.

Mr S says that Vanquis didn't complete adequate affordability checks when it opened his account. He says if it had, it would have seen that the opening credit and each of the credit limit increases weren't affordable for him.

Vanquis said that it carried out a reasonable and proportionate assessment to check Mr S's financial circumstances before granting him the card account and each of the credit limit increases.

Our investigator didn't recommend the complaint be upheld. She thought that, whilst it could have done better checks before agreeing to increase the credit limits, Vanquis didn't act unfairly or unreasonably by approving the account.

Mr S didn't agree and so his complaint has been passed to me for a final 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 opening the account, I think it's likely that Vanquis gathered a reasonable amount of evidence and information from Mr S about his ability to repay. I say this because, although Vanquis hasn't been able to give us the full application details from the time, I've seen from a summary that he was asked his income and said he was employed full time. Mr S was receiving a net monthly income of around £3,200 at this point.

Vanquis also carried out a check to see what he owed elsewhere in terms of credit. This showed he owed around £13,000 in unsecured debt. The credit check also showed a recent county court judgment of around £800 and that he'd had a credit default from two-and-a-half years earlier with a current value of just under £500. These are obviously issues of concern that Vanquis needed to take into account as part of its decision to lend. However, given Mr S's salary and the low opening credit limit, I don't think Vanquis made an unfair lending

decision, especially given that this was at the outset of the lending relationship. For these reasons, I don't think Vanquis acted unfairly when approving the finance application.

Turning to the first of the credit limit increases, in July 2018 when the credit limit was increased from £250 to £1,000, the credit check showed that Mr S's judgment debt had been reduced but had remained constant since a month after his account was opened at £255. His defaulted debt value had reduced and remained at £80 since March 2017. The check also so showed that that Mr S's borrowing elsewhere had gone down to around £8,100. In terms of his account use, I've noted that Mr S had two late payments in 2017 and also went over his credit limit once.

Given that Mr S had taken steps to reduce his total credit held elsewhere, and his credit history had remained stable with no further adverse markings, I think the checks were proportionate and that Vanquis made a fair lending decision.

Turning to the second credit limit increase, in December 2018 when the credit limit was increased to £1,750, I've seen that Mr S's credit history continued to remain stable although with his credit owing elsewhere going down further to around £6,800. I've also seen that as part of its checks, Mr S had told Vanquis that his earned income had gone down and he was receiving some state benefits. In terms of his account use, Mr S had been managing his credit well since the last increase. The information Vanquis requested from Mr S suggested that, after paying for his committed expenditure, he would likely be left with around £700 in disposable income. And so again, I think Vanquis gathered a reasonable amount of evidence and information about Mr S's ability to repay. For these reasons, I again don't think Vanquis acted unfairly in approving the increase.

The last credit limit increase was in May 2019, with the credit limit increasing to £2,250. Mr S's total credit owed elsewhere had gone down again, to around £5,400. Mr S told Vanquis his total monthly income was £2,200 - £800 less. But his committed expenditure at this point worked out at broadly the same and so he looked to have around £300 available by way of disposable income each month. Whilst Mr S had kept his account in good order since the last increase, I do have some concerns here that Mr S could be in difficulty repaying the new level of credit, given that he was now on a significantly lower income. So I think by this point it would have been proportionate for Vanquis to have got a more thorough understanding than it did of Mr S's overall financial circumstances before granting this increase.

Our investigator asked for copies of Mr S's bank statements, so as to get a better idea of his wider financial situation. Unfortunately, Mr S wasn't able to produce statements covering the period leading up to the final credit limit increase. This would have helped us to understand what, if anything, Vanquis might have found out if it had completed better checks at the time. That means, I'm not in position to make a finding that Vanquis may have acted unfairly.

Given that I also don't think Vanquis made unfair lending decisions for the account opening and first two limit increases, I don't think they need to do anything to put things right.

Finally, I've looked at the question of whether could have done more to support Mr S, either when he got into difficulty or at any other point during the time he had the account. Having done so, I can see that Vanquis took steps to support him, including by waiving at least one overlimit charge. And I haven't seen anything else to show or suggest that it ought to have done more to support him.

I've considered whether the relationship between Mr S and Vanquis 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 S 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.

I am sorry to have to disappoint Mr S on this occasion.

My final decision

For the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 25 April 2025.

Michael Goldberg

Ombudsman