

The complaint

Mr K complains that Vanquis Bank Limited was irresponsible in lending him two credit card accounts which he couldn't afford to repay.

What happened

In March 2011 Vanquis lent Mr K two credit card accounts. Each account had a credit limit of £500. In August 2011 Vanquis increased the limit on one of the accounts to £1,000. I'll call the account with the increased limit account one, and I'll call the account on which the credit limit stayed at £500 account two.

In September 2012 Mr K stopped making payments to account one. In February 2013 he began paying £1 a month on that account to a debt collection agency acting on Vanquis's behalf. In 2014 Vanquis sold the account to another company. Vanquis has said that account two is closed, but it hasn't said when that happened.

In July 2024, through a law firm, Mr K made a complaint. He said Vanquis shouldn't have lent to him and it shouldn't have increased the credit limit, and it hadn't properly checked his creditworthiness before lending.

Vanquis said it had lent responsibly and it had done nothing wrong. Mr K referred his complaint to us. Vanquis told us that it thought Mr K had complained too late, but it said it would consent to us considering his complaint about account two. It didn't consent to us considering his complaint about account one.

Our Investigator concluded that we couldn't consider Mr K's complaint about account one, because Mr K had complained too late and Vanquis hadn't consented to us looking into that part of the complaint. The Investigator considered the complaint about account two, but didn't recommend that it be upheld. Mr K didn't accept what the Investigator said about either our power to look into his complaint or the outcome of his complaint about account two, so he asked for an Ombudsman's review.

The complaint was referred to me. I issued a separate decision confirming the scope of my jurisdiction in this complaint. I said that I can't consider Mr K's complaint about account one, but I can consider his complaint about account two. This final decision is to set out my conclusions about Mr K's complaint about account two.

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.

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. I've used this approach to help me decide Mr K's complaint about account two. Vanquis had a duty to make sure that it didn't lend irresponsibly. In practice, this means that it had to carry out proportionate checks before lending in order to understand whether Mr K could afford to repay any credit it provided to him.

Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship. But we might think it needed to do more if, for example, a borrower's income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

Mr K applied for account two in March 2011 and Vanquis provided him with a credit card with a credit limit of £500. Vanquis says that it agreed to his application after it obtained information about his income and carried out a credit search, and that the information it obtained indicated that Mr K would be able to make the monthly repayments due for this credit card.

It's important to note that Vanquis lent Mr K a revolving credit facility rather than a loan. This means that Vanquis was required to understand whether a credit limit of £500 could be repaid within a reasonable period of time, rather than all in one go. It's fair to say that a credit limit of £500 required low monthly payments in order to clear the full amount owed within a reasonable period of time.

I've looked carefully at the records Vanquis has provided of Mr K's application and of the credit check it completed. They show that Mr K said on his application that he was employed full-time with a household income of £58,000, and his credit file showed he had very low existing unsecured debt of £100 and no recent defaults or county court judgments.

I don't think there was anything in this information that was inconsistent or difficult to explain, so I don't think that it was unreasonable for Vanquis to rely on the information Mr K provided about his income during his application and the information it obtained from his credit file. The available information suggested that Mr K could repay a balance of £500 within a reasonable period of time. In the circumstances, I'm satisfied that the checks Vanquis carried out before it provided Mr K with his credit card were reasonable and proportionate, and I don't consider that it irresponsibly lent Mr K account two.

In reaching my conclusions, I've also considered whether the lending relationship between Vanquis and Mr K might have been unfair to Mr K in some other way, including under section 140A of the Consumer Credit Act 1974. However, for the reasons I've explained, I've not been persuaded that Vanquis irresponsibly lent to Mr K 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.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 18 April 2025.

Janet Millington
Ombudsman