

The complaint

Mr W complains that Vanquis Bank Limited lent irresponsibly when it approved his credit card application and later increased the limit.

What happened

Mr W applied for a Vanquis credit card in November 2018. In his application, Mr W said he was unemployed and had an income of £20,000. Vanquis carried out a credit search and found Mr W had no adverse information or defaults recorded on his credit file. Mr W had outstanding unsecured debts totalling around £2,300. No recent missed payments were noted on Mr W's credit file. Vanquis applied its lending criteria and approved Mr W's application, issuing a credit card with a £1,000 limit.

Vanquis increased the credit limit to £2,000 in March 2019, £3,000 in July 2019, £3,500 in November 2019 and £4,000 in March 2020. Vanquis checked Mr W's credit file before each increase and has confirmed no new adverse information or defaults were noted. Vanquis says Mr W's other unsecured debts reduced over time to £194 in March 2020. And before each credit limit increase, Vanquis asked Mr W to complete an income and expenditure assessment.

Mr W continued to use his Vanquis credit card. Vanquis has supplied evidence that shows a late payment fee was applied to the account in October 2022 but no other charges have been applied.

Last year, representatives acting on Mr W's behalf complained that Vanquis lent irresponsibly and it issued a final response. Vanquis said it had carried out the relevant lending checks and didn't agree it lent irresponsibly to Mr W.

An investigator at this service looked at Mr W's complaint. They thought Vanquis carried out reasonable and proportionate lending checks before approving Mr W's application and increasing the credit limit and didn't agree it lent irresponsibly. Mr W asked to appeal and said he wasn't working when applying for the credit card and often had to borrow money from his wife. As Mr W 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 W 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.

I've set out above the information Vanquis used when considering Mr W's application in November 2018. I can see Mr W confirmed he was unemployed and in receipt of benefit income of £20,000. I think that's something Vanquis needed to be clear about and ensure Mr W was able to sustainably manage repayments. But I think it's fair to note Mr W's credit file was clear of any adverse information and his existing debts were reasonably low and well maintained. I also think it's fair to note the credit limit was reasonably modest at £1,000 which meant the risk of causing Mr W financial harm was reduced. I haven't seen any information that would've told Vanquis Mr W was struggling financially or unlikely to be able to support payments to a new credit card with a credit limit of £1,000. In my view, the level and nature of checks completed by Vanquis were reasonable and proportionate to the amount and type of credit it went on to approve. And I'm satisfied the decision to approved Mr W's application was reasonable based on the information Vanquis obtained. I'm sorry to disappoint Mr W but I haven't been persuaded Vanquis lent irresponsibly.

Before increasing the credit limit in stages, Vanquis looked at Mr W's card use. I can see that no late or over limit fees were applied to Mr W's account at any point in during the period the credit limit was being increased. Mr W's account was well maintained with the balance generally well below the credit limit. I can also see Mr W's other unsecured debts reduced over time, reaching £194 in March 2020 when the credit limit was set at £4,000. To me, that indicates Mr W was in a stable financial position and was able to reduce his other debts. I further note no missed payments or other adverse credit were recorded on Mr W's credit file during the period in question.

Vanquis also asked Mr W to complete income and expenditure assessments before each credit limit increase was approved. The information Mr W provided indicated he had a disposable income of more than £1,000 after taking his regular outgoings into account.

Overall, I'm satisfied the information Vanquis obtained before increasing Mr W's credit limit in stages to £4,000 indicated he was able to sustainably afford repayments. I'm sorry to disappoint Mr W but I'm satisfied the level and nature of checks Vanquis completed were reasonable and proportionate to the credit it went on to approve. And I'm satisfied the information Vanquis used showed the borrowing was affordable for Mr W. I'm sorry to disappoint Mr W but I haven't been persuaded that Vanquis failed to complete reasonable checks or lent irresponsibly.

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 W 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 W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 4 June 2025.

Marco Manente
Ombudsman