

The complaint

Mr Y complains that Vanquis Bank Limited was irresponsible in its lending to him. He wants all interest and charges refunded along with statutory interest and all adverse information regarding this account removed from his credit file.

Mr Y is represented by a third party but for ease of reference I have referred to Mr Y throughout this decision.

What happened

Mr Y was provided with a Vanquis credit card account in January 2017, with an initial credit limit of £500. The credit limit was increased in May 2017 to £1,000. Mr Y said that adequate checks weren't carried out before the credit was provided. He said the credit limit increase placed an unmanageable financial burden on him and that the results of the lending have adversely affected his credit file.

Vanquis issued a final response to Mr Y's complaint dated 9 July 2024. It said that Mr Y's application underwent credit scoring to assess his financial stability and ability to repay. It noted that when Mr Y applied for the account, he declared an annual personal income of £19,292. His credit report showed he had no county court judgments recorded in the previous 19 months and no defaults in the previous 18 months. It said his non-mortgage lending was shown as £100. Vanquis said Mr Y met its lending criteria and so the account was opened.

Vanquis explained that further checks took place before the credit limit increase was offered to ensure the lending was responsible. It didn't accept its lending decisions had been irresponsible.

Mr Y referred his complaint to this service.

Our investigator thought the checks Vanquis carried out before the account was opened were proportionate and didn't raise concerns about the affordability of the initial credit limit. However, she thought that further checks should have taken place before the credit limit was increased. Our investigator requested copies of Mr Y's bank statements for the months leading up to the credit limit increase but as only April 2017 was provided, she didn't think she had sufficient information to be able to say the lending was irresponsible.

Mr Y didn't agree with our investigator's view. He said it was irresponsible to double his credit limit within such a short period (around four months) and that further checks should have happened. He said his credit report showed he had arrears reported in the previous three months and that he had exceeded his credit limit in May 2017. He said this should have raised concerns about his ability to sustainably manage further credit. He said the bank statements he had provided showed he had a relatively modest balance, reinforcing his position that he couldn't afford to take on further financial obligations.

Our investigator considered the comments Mr Y made and reiterated that she hadn't received bank statements for February or March 2017. As Mr Y's response didn't change her

view, and a resolution hasn't been agreed, this complaint has been passed to me, an ombudsman to issue 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.

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

Mr Y was provided with a credit account with an initial credit limit of £500. Before the account was opened, Vanquis gathered information about Mr Y's income and carried out a credit check. Mr Y declared an annual personal income of £19,292 and a household income of £29,292. His credit check showed that he had experienced previous financial difficulties with defaults recorded and notice of a voluntary arrangement being completed. But these events were historic with the voluntary arrangement being completed in June 2015 (around 19 months prior to the application) and the defaults recorded in 2014 and one in 2015 (most recent being around 18 months prior to the application). So, while I think Vanquis needed to take into account Mr Y's previous issues, I do not find these alone meant the lending shouldn't have been provided.

Mr Y's credit report showed that he had four active accounts at the time (a loan, two current accounts and communications account). He was managing these accounts well with no recent reports of missed payments or arrears. So, as Mr Y didn't appear to be in current financial difficulty or struggling with his commitments and noting the amount of credit being provided and the repayments that would be due compared to Mr Y's personal income, I find the check carried out were proportionate.

I have looked through the information gathered and can see the credit report recorded monthly payments towards the loan of £95. Taking this into consideration, I do not find that I can say the £500 credit limit appeared unaffordable for Mr Y. Therefore, I do not find I can say the Vanquis was wrong to open the account.

Mr Y's credit limit was increased to £1,000. The limit increase offer was made in May 2017 and applied to Mr Y's account in July 2017. Before the limit increase was offered, information was available about how Mr Y had been managing his account since opening (around four months earlier) and a credit check took place. In the three months leading up to the credit limit increase being offered, Mr Y had utilised around 80% of his existing credit limit and his average payments were above the minimum amount required. He had no new default or county court judgements recorded. Before the limit increase offer was made Mr Y hadn't incurred any overlimit or late charges on his account but an overlimit charge was applied in June 2017. While I do not find that Mr Y's data suggested any major issues, as he was operating near his credit limit shortly after the account was opened and he exceeded this in June 2017, and noting the credit limit was being doubled, I think that it would have been reasonable to ask further questions to ensure the additional credit would be affordable for Mr Y.

I do not find that Vanquis was required to request copies of Mr Y's bank statements, and given the timing of the credit limit increase, I think it reasonable it considered as part of its assessment the information given at the time of application alongside the credit check. But given I think further questions would have been reasonable, Mr Y's bank statements were requested to understand what further checks might have identified. Mr Y has provided copies of his bank statements, but these do not cover the three months leading up to the credit limit increase being offered (aside from April 2017). I have looked at the information that has been given and this shows that Mr Y's account was generally in credit. He was receiving into his account income from benefits as well as transfers from another account. Based on what I have seen and considering the repayment amounts required from a £1,000 credit limit, I do not find I have enough to say that further questions would have identified the lending to be irresponsible.

For the reasons set out above, I do not uphold this complaint.

I've also considered whether Vanquis acted unfairly or unreasonably in some other way given what Mr Y has complained about, including whether his relationship with Vanquis might have been viewed as unfair by a court 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 Y or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr Y to accept or reject my decision before 9 June 2025.

Jane Archer
Ombudsman