

The complaint

Ms M complains that Vanquis Bank Limited was irresponsible in its lending to her. She wants all interest and charges refunded along with statutory interest, and any adverse information recorded about this agreement removed from her credit file.

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

What happened

Ms M was provided with a Vanquis credit card account in December 2017. The initial credit limit was £500, and this was increased on three occasions giving a credit limit of £3,500 in July 2019. The credit limit was then decreased to £500 in December 2020.

Ms M said that adequate and proportionate checks weren't carried out before the account was opened and credit limit increases applied. She said that the lending wasn't affordable, and she had to miss payments for other essential bills to make her credit card repayments, causing her stress. She said the lending adversely affected her credit report and created an unmanageable financial burden.

Vanquis said that having reviewed the information available, including Ms M's income, credit file and account management, it believed its lending decisions were responsible.

Our investigator thought the checks carried out before the account was opened and the first and third credit limit increases were applied were reasonable. And she didn't find that these suggested the lending to be unaffordable for Ms M. Regarding the second credit limit increase, our investigator thought that further checks should have taken place before this was applied. She considered the information in the bank statements Ms M provided but didn't find that she had enough evidence to say the lending wasn't responsible. Therefore, she did not uphold this complaint.

Ms M didn't agree with our investigator's view. She explained that at the time of the lending she was on long-term, chronic medication for ongoing health conditions, significantly affecting her ability to manage complex financial obligations. She also said that she wasn't provided with adequate notice of the credit limit increases. She said her account statements clearly showed her reliance on her overdraft and that she had to take on extra credit to meet her monthly obligations.

Our investigator responded to Ms M's comments but as her view didn't change, 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.

Ms M was provided with a credit card account in December 2017 and the credit limit was increased on three occasions. I have considered each of these lending decisions.

Account opening: December 2017

Before the account was opened, Vanquis gathered information about Ms M's employment and income and carried out a credit check. Ms M declared that she was employed full time with a personal income of £22,000 and a household income of £38,000. Her credit check showed she had nine active accounts including two joint mortgage accounts, two credit card accounts, a joint current account, a mail order account and three communications accounts. Her total outstanding balances on her non mortgage accounts were recorded as around £9,800. There were no county court judgments or defaults recorded and while there were missed payments recorded on the mail order accounts these never exceeded '1' and the other accounts were up to date.

As the credit check didn't raise major concerns and noting the size of the initial credit limit compared to Ms M's declared income, I find the checks carried out before the account was opened were proportionate.

Considering the information available about the required repayments towards Ms M's credit commitments and the repayments that would be due on the new Vanquis account, compared to Ms M's income, I do not find I can say that the lending should have been considered unaffordable for Ms M.

Credit limit increase 1

Ms M was offered a credit limit increase to £1,000 in May 2018. Vanquis carried out a credit check which showed Ms M had nine active accounts with total non mortgage debts of around £9,626. Ms M's total unsecured debts hadn't increased since the account was opened, and she was managing her commitments without any major issues (a missed payment had been recorded six months prior but the account had been brought up to date). Therefore, I do not find that Ms M's credit check raised any concerns.

Ms M's account management showed that she had a missed payment and over limit charge applied in March 2018, but other than that she was managing her account in line with the terms. She was utilising the full credit limit but was also making repayments above the minimum. Therefore, I do not find that Ms M's account management suggested she was struggling financially.

Based on the above, and noting the size of the credit limit being offered, I think the checks carried out were proportionate. As I do not find these raised concerns about the affordability of the additional lending (based on Ms M's declared income) I do not find I can say Vanquis was wrong to provide this limit increase.

Credit limit increase 2

Vanquis offered Ms M a credit limit increase to £2,500 in October 2018. Ms M's Vanquis account management didn't raise any major concerns at the time. Her account utilisation was around 50% and she was making repayments above the minimum required.

A credit check was carried out which showed Ms M's total unsecured debts had reduced slightly since the first limit increase (to around £9,424) and her mortgage balance had continued to reduce. There were no new county court judgments or defaults recorded but Ms M had missed a payment on an external credit commitment three months prior to the limit increase. Given this, I think it would have been reasonable to ask further questions to understand Ms M's financial situation before providing any further credit.

I do not think that Vanquis was required to request copies of Ms M's bank statements but as I think it reasonable that further questions were asked, I have looked through the information these contain to assess whether further questions would have highlighted issues that meant the additional credit shouldn't have been provided. Having done so, I do not find that Ms M's statements show signs that she was struggling financially. The statements show the account was in credit and the regular outgoings from the account compared to the income didn't suggest that this additional lending would be unaffordable. Therefore, based on the evidence I have received, I do not find I can say that Vanquis was wrong to provide the additional lending.

Credit limit increase 3

Before the third credit limit increase was applied, Vanquis carried out a credit check and completed an income and expenditure assessment. The credit check didn't record any recent adverse information aside from a missed payment ten months before the credit limit increase, but the account was then brought up to date. Ms M's Vanquis account management didn't show any issues with Ms M utilising around 48% of her credit limit and making payments above the minimum amount required. She had incurred no over limit or late fees in the months leading up to the limit increase. Based on this I think the checks carried out before the credit limit increase was offered were proportionate.

Looking at the information received through the checks, particularly the income and expenditure assessment, these didn't raise concerns that the additional lending would be unaffordable for Ms M. I also note that Ms M's account balance didn't exceed the previous credit limit and so this additional credit wasn't used.

So, for the reasons set out above, I do not find that Vanquis acted irresponsibly in its lending to Ms M.

Ms M has also noted that she had a long-term health condition and wasn't provided with reasonable notice of the credit limit increases. While I note these comments, I haven't seen evidence that Vanquis was made aware of any health issue that might have had an impact on the lending decisions. I can also see that Ms M provided her details so that she could use the early opt in for credit limit increases. Therefore, I think that Ms M was aware of the credit limit increases being offered before these were applied to her account.

I've also considered whether Vanquis acted unfairly or unreasonably in some other way given what Ms M has complained about, including whether its relationship with Ms M 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 Ms M or otherwise treated her 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 Ms M to accept or reject my decision before 4 June 2025.

Jane Archer
Ombudsman