

The complaint

Mr P complains that Vanquis Bank Limited irresponsibly provided him with credit, which resulted in the relationship between him and Vanquis being unfair.

Mr P is supported in bringing this complaint by a representative. But, for ease, I'll refer to Mr P throughout.

What happened

Vanquis provided Mr P with a credit card in August 2017. The limit was £500. Vanquis sent Mr P notification of its intention to increase the credit limit in December 2017. It seems that the credit limit was increased to £1,000 some time in early 2018.

In summary, Mr P says Vanquis didn't carry out reasonable and proportionate checks before lending to him. He says entering into this arrangement with Vanquis affected his credit score, and also had an impact on his mental health as he struggled to maintain the payments.

Vanquis issued a Final Response Letter to Mr P where, in summary, it thought his complaint had been raised too late under the relevant rules. These rules require complaints to be raised within six years of the event being complained about or – if later – within three years from the point that the complainant became aware, or ought reasonably to have become aware, that they had cause for complaint. In later correspondence with this Service, Vanquis said it was unable to identify awareness of cause of complaint, and therefore consented to an investigation of the full account.

An Investigator here reviewed matters and didn't recommend that the complaint be upheld. In summary, he thought Vanquis carried out proportionate checks before lending to Mr P and thought it wasn't unreasonable to have provided the opening credit card and the limit increase, based on the information it had gathered.

Vanquis didn't dispute this position, but Mr P did and, in summary, mostly repeated his earlier points. He also said that whilst Vanquis's checks showed he was earning £18,000 each year, it was actually £14,400 and Vanquis relied on what he had provided without verifying the accuracy of it.

As an agreement hasn't been reached, the case has been passed to me to decide.

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.

The rules and regulations in place at the time Vanquis provided Mr P with credit required it to carry out a reasonable and proportionate assessment of whether he could afford to repay what he owed in a sustainable manner. This is sometimes referred to as an 'affordability assessment' or 'affordability check'.

The checks had to be 'borrower' focused. This means Vanquis had to think about whether repaying the credit sustainably would cause difficulties or adverse consequences for Mr P. In other words, it wasn't enough for Vanquis to consider the likelihood of it getting the funds back – it had to consider the impact of any repayments on Mr P.

Checks also had to be 'proportionate' to the specific circumstances of the lending. In general, what constitutes a proportionate affordability check will be dependent on a number of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, any indications of vulnerability or financial difficulty) and the amount/type/cost of credit they were seeking. I've kept all of this in mind when thinking about whether Vanquis did what it needed to before lending to Mr P.

The opening limit of £500 was provided in August 2017. Before lending, Vanquis asked Mr P for information about his income. Mr P said he was self-employed with an annual personal income of £18,000. He also declared a household income of £30,000. Vanquis also carried out a credit check which revealed no County Court Judgements, and that it had been 55 months since a default was recorded on Mr P's credit file. The credit check revealed he had active unsecured debt balances at a maximum of around £300, and showed no recent issues managing credit.

Vanquis needed to be satisfied that Mr P could repay £500 within a reasonable period of time. I think the checks carried out here were proportionate in the circumstances, especially considering the relatively modest limit being provided. And, considering the inputted information about Mr P's income, and that Vanquis's checks didn't reveal any current obvious financial difficulties, I don't think it was wrong to issue the card with a limit of £500.

I appreciate Mr P says he wanted the checks to go further here – specifically that Vanquis should have verified his income and that his declared income wasn't reflective of his actual circumstances. However, in the circumstances of this case, I don't think it was unreasonable for Vanquis to rely on what Mr P had declared – especially in the context of all the other information it had gathered which all suggested that a limit of £500 was likely to be affordable for him.

Vanquis says it sent Mr P notification of its intention to increase the credit limit in December 2017. It seems that the credit limit was then increased to £1,000 some time in early 2018. I appreciate Mr P has raised concerns that the limit was proactively increased by Vanquis. It seems Vanquis offered to increase Mr P's credit limit following automated ongoing reviews of the account. And, as our Investigator outlined, this isn't uncommon where accounts are managed well – and it's important to note that this could have been declined. However, as explained above, Vanquis still needed to carry out proportionate checks to ensure the limit was affordable for Mr P.

Vanquis's credit check carried out at the time showed that Mr P's outstanding unsecured debt balance was still relatively low. Whilst the credit data suggests one of Mr P's accounts had been over the limit, this was rectified before the credit limit increase was provided. There was also some historic adverse information visible in the information gathered.

Turning to the card itself, Vanquis has provided information which suggests that Mr P's average utilisation of the original card limit was relatively low. He managed the card well, and didn't incur any charges for late payments, or being over the limit. Vanquis has also provided information which suggests that Mr P made some large repayments towards the account in the lead-up to the credit limit increase.

I've considered that Mr P appeared to be managing his external accounts well by the time the credit limit was increased. Additionally, his management of the card itself showed that he wasn't overly reliant on it, and he managed this well. With this in mind, I think Vanquis gathered enough information before increasing the limit and I don't think it was unreasonable for Vanquis to increase the credit limit to £1,000.

Therefore, having carefully considered all the available information, I'm not persuaded that Vanquis irresponsibly provided Mr P with the credit card or the limit increase. I've also considered 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 P 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 don't uphold this complaint for the reasons outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 30 May 2025.

Hana Yousef
Ombudsman