

The complaint

Mr H complains Vanquis Bank Limited irresponsibly provided him with two unaffordable credit card accounts.

Mr H's complaint has been brought by a professional representative, but for ease I'll refer to all submissions as though they are his own.

What happened

Vanquis provided Mr H with two credit cards with the following details:

Account ending 2011

Date	Lending Decision	Credit Limit
April 2015	Original limit	£250
August 2015	1 st limit increase	£500

Account ending 8403

Date	Lending Decision	Credit Limit
August 2018	Original limit	£500
September 2020	1 st limit increase	£1,650
August 2021	2 nd limit increase	£2,300
November 2022	3 rd limit increase	£3,000

Mr H complained to Vanquis in February 2024. He said it hadn't completed proportionate checks before providing him with the original credit limits and limit increase. Mr H says had Vanquis completed reasonable checks it ought to have identified this lending wasn't affordable for him.

Vanquis sent Mr H its final response to his complaint in June 2024. It didn't review the details about the credit card ending 2011, as it said this part of Mr H's complaint had been made outside of the regulatory timescales for complaining. It considered the details of account ending 8403 and didn't uphold this part of the complaint. It said it completed proportionate checks and went on to make a fair lending decision when providing the initial limit and subsequent limit increases.

Unhappy with Vanquis' response Mr H referred his complaint to our service for review.

Our investigator didn't uphold Mr H's complaint. They considered they could look at both cards Mr H had complained about, but on review of the evidence they concluded Vanquis had completed proportionate checks and made fair lending decisions.

Vanquis didn't respond to our investigator's latest view; Mr H maintained his position and provided further information and evidence for consideration. Our investigator reviewed the further information and set out why they still considered Vanquis had made fair lending decisions in each event.

Mr H asked for an ombudsman's review, so the complaint's 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 information in this case is well known to Mr H and Vanquis, so I don't intend to repeat it in detail here. I've focused my decision on what I consider to be the key points of this complaint; so, while my decision may not cover all the points or touch on all the information that's been provided, I'd like to assure both parties I've carefully reviewed everything available to me. I don't mean to be discourteous to Mr H or Vanquis by taking this approach, but this simply reflects the informal nature of our service.

Initially I think it's helpful for me to set out that there are time limits for bringing a complaint to our service, and Vanquis has said this is a complaint that was in part referred to us late. Our investigator set out within their view why they didn't think we could look at a complaint about the lending events Vanquis made more than six years before the complaint was made. But they also went on to explain why it was reasonable to interpret Mr H's complaint as being about an unfair relationship as described in section 140A of the Consumer Credit Act 1974 (s.140), and why he therefore considered Mr H's complaint about an allegedly unfair lending relationship had been made to us in time.

I don't intend to go into the detail our investigator already set out within my decision here. But for the avoidance of doubt, I agree with our investigator that I have the power to look at Mr H's complaint on this basis.

I say this because I consider Mr H's complaint can reasonably be considered as being about an unfair relationship, as he says both the original credit card limit and increase in 2015 were unaffordable for him, and reasonable checks ought to have led to Vanquis identifying this.

The provision of the credit card may have made the relationship unfair as Mr H may have paid more in interest and charges than he could afford. I accept Vanquis doesn't agree we can look at any events more than six years before Mr H's complaint was made, but as I don't intend to uphold this complaint, I won't be commenting on this further.

In deciding what's fair and reasonable I'm required to take into account, amongst other matters, relevant law. As I consider Mr H's complaint is about the fairness of his relationship with Vanquis, relevant law in this case includes s.140A-C.

S.140A says a court may make an order under s.140B if it determines that the relationship between the creditor (in this case Vanquis) and the debtor (Mr H), arising out of a credit agreement is unfair to the debtor because of one or more of the following, having regard to all matters it thinks relevant:

- any of the terms of the agreement.
- the way in which the creditor has exercised or enforced any of his rights under the agreement.
- any other thing done or not done by or on behalf of the creditor.

Case law shows that a court assesses whether a relationship is unfair at the date of the hearing, or if the credit relationship ended before then, at the date it ended. That assessment has to be performed having regard to the whole history of the relationship.

S.140B sets out the types of orders a court can make where a credit relationship is found to be unfair – these are wide powers, including reducing the amount owed or requiring a refund, or to do or not do any particular thing.

Given the details of Mr H's complaint, I need to consider whether Vanquis' decision to lend to him, or other actions it may have taken, created an unfairness in the relationship between him and Vanquis; and if it did whether Vanquis took reasonable steps to remove that unfairness.

We've set out our approach to complaints about irresponsible and unaffordable lending as well as the key rules, regulations and what we consider to be good industry practice on our website; and I've seen our investigators made Mr H and Vanquis aware of this approach within their correspondence.

Essentially Vanquis needed to take reasonable steps to ensure the lending it provided Mr H was responsibly lent. The relevant rules, regulations, and guidance in place during Vanquis' lending events required it to carry out proportionate checks. These checks needed to assess Mr H's ability to afford the credit limits being provided and repay them sustainably, without causing him financial difficulties or harm.

There isn't a set list of checks a lender needs to carry out, but they should be proportionate, considering things like the type, amount, duration, and total cost of the credit, as well as the borrower's individual circumstances.

I've split my findings below under the separate accounts for ease.

Account ending 2011

Before the original lending event Vanquis checked Mr H's income and completed a credit check. Mr H declared his income to be around £25,000 per year. While the credit file results showed historic adverse information relating to default(s), I consider these were historic enough not to have caused Vanquis concern.

One account appeared to be reporting at £1 above its agreed limit at the original limit at the point of the check; but the results suggested Mr H was maintaining his other existing lines of credit relatively well, and had been doing so consistently in the recent past.

Given Vanquis was providing Mr H with a relatively modest initial limit of £250, I don't consider there was anything within the checks it completed that ought reasonably to have caused it concern.

I consider the same is true for the limit increase that was provided around four months later. While Vanquis didn't obtain updated income details, I don't consider that was unreasonable given it had obtained these details just four months earlier. Vanquis did complete a new credit check, and I consider reasonably satisfied itself that the increased credit limit of £500 was affordable for Mr H. It could also see he'd maintained this account well across the short period of time it had been active.

So, taking all the above into account I'm satisfied Vanquis' checks were proportionate and that it went on to make fair decisions at both of these lending events.

Account ending 8403

The £500 original limit in August 2018 and limit increase to £1,650 in September 2022

Shortly after repaying and closing account ending 2011, Mr H returned to Vanquis to apply for new credit.

The original limit was again for a relatively modest amount of £500. I've seen Vanquis obtained Mr H's declared income and completed a credit check.

The information Vanquis obtained didn't show any concerns and I consider supported the provision of this relatively modest limit.

Mr H has made reference to a sizeable hire purchase agreement that had recently been entered into, as well as another hire purchase agreement that had been recently closed. The credit report information Vanquis obtained shows a sizeable hire purchase agreement that started in January 2017, around 18 months prior to this new credit limit. And there's no later hire purchase agreements reporting on the credit search Vanquis obtained. I don't consider Vanquis ought to have had any concerns with the information it received, or reasonably considered it to be incomplete. So, I consider it was reasonable for it to rely on the information it had obtained when making this lending decision.

Vanquis increased Mr H's credit limit to £1,650 around two years later in September 2020. While Mr H's management of the original limit had shown some continued concerns with him staying within the agreed limit, he'd maintained the account consistently well across an extended period of time leading up to the credit limit increase.

At the limit increase Vanquis took Mr H's declared income and expenditure to understand his financial situation, as well as completing an updated credit check.

Vanquis identified through its checks that Mr H was living with parents, and therefore reasonably declared minimal non-discretionary living costs. Vanquis could also see that while Mr H's external debt had increased slightly, it was being managed well.

Vanquis concluded Mr H would be left with a reasonable level of disposable income in order to sustainably afford to repay this increased limit; and I consider it could take comfort by the positive change in Mr H's behaviour and management of the account.

I therefore consider Vanquis conducted proportionate checks before each of these lending events and went on to make fair lending decisions when providing these limits.

The credit limit increases to £2,300 in August 2021 and £3,000 in November 2022

Vanquis went on to provide Mr H with a further two credit limit increases in 2021 and 2022.

Having considered the information Vanquis obtained and already had available to it before providing both of these limit increases, I'm not persuaded it did complete proportionate checks. However based on the evidence I have, I consider better checks would more likely than not have reasonably led Vanquis to come to the same decisions to provide Mr H with these limit increases.

The limits Vanquis were now providing Mr H were relatively sizeable in relation to his declared income. As such I consider proportionate checks should have led to Vanquis verifying Mr H's income and expenditure, rather than relying on his declarations, to fully understand his actual financial situation.

Mr H has provided us with bank statements which cover the three months leading up to each limit increase. In the absence of any other conflicting information, I consider these statements allow me to reasonably understand what Vanquis would likely have identified

about Mr H's financial situation at the point of these lending events, had it completed more detailed checks.

Across the three months leading up to the August 2021 limit increase Mr H's income averaged around £2,000. Mr H also received cash deposits as well as credits and transfers into his account from other individuals which supplemented the credits into the account considerably, on average by around a further £2,000 each month.

Mr H declared to Vanquis at this limit increase that he was contributing towards rent, and at the later limit increase that his parents paid for housing costs. This appears to be supported when reviewing the non-discretionary expenditure debiting the account as the usual household payments for items such as council tax, insurances and utilities aren't evidenced. Mr H's non-discretionary expenditure appears to be towards mobile phone contracts, subscriptions, and car related expenditure to name a few. On average these payments towards non-discretionary expenditure appear to total around £1,250 per month.

There are significant volumes of cash withdrawals across these months. Had Vanquis completed more detailed checks it may have become aware of these; but I must take into account that the regulatory rules aren't prescriptive in what evidence Vanquis needed to obtain to satisfy proportionate checks. So, it may not have verified Mr H's expenditure via his bank statements, and therefore reasonably not identified these cash withdrawals. In any event, I consider had Vanquis identified these through more detailed checks it would have been prudent for it to have asked Mr H the purpose of these cash withdrawals. But on balance, I consider it more likely than not Mr H would have presented these in a positive light. And I don't consider, given the overall turnover through Mr H's account, that Vanquis ought reasonably to have been overly concerned with these debits.

Mr H's payments to existing lines of credit are also evident through the statements. It appears Mr H largely pays in excess of his minimum required payment to his Vanquis credit card across the three-month period I'm reviewing. And the credit check Vanquis completed shows Mr H was generally managing his existing lines of credit well, with his total outstanding debt having significantly reduced since the last limit increase.

I therefore consider more detailed checks would more likely than not have led Vanquis to reasonably conclude Mr H could afford the increased limit to £2,300.

In November 2022 Vanquis increased Mr H's credit limit to £3,000. I've again reviewed Mr H's statements covering the three months leading up to this lending decision, to understand what Vanquis would likely have seen through more detailed checks.

Mr H's income in the lead up to this limit increase again averages around £2,000. Mr H continues to receive significant cash deposits as well as payments and transfers, which increase the credits into the account by around a further £3,000 each month.

Mr H's non-discretionary expenditure appears to remain relatively consistent to the previous limit increase, averaging around £1,400 per month. This again takes into account the types of transactions I've set out above.

Mr H's number of creditors appears to have increased. I say this as there's evidence of more payments to different lenders; and Vanquis would have been able to identify through its credit check that Mr H's total outstanding debt had increased since the last limit increase. However, Mr H's average monthly value of payments to creditors had remained largely similar to the level he was making at the increase in 2021. On average Mr H made payments of around £750 to existing creditors across the three-month period I'm reviewing, although it appears to be as low as around £500 in one month.

So, based on this information I consider Vanquis would reasonably have concluded Mr H could sustainably afford to make repayments to this increased credit limit. And it therefore follows I consider Vanquis made a fair lending decision when increasing the limit to £3,000.

Taking all of the above into account I don't consider Mr H's relationship with Vanquis was unfair. I say this because I've not found Vanquis created an unfairness by providing Mr H with lending that was irresponsible or unaffordable; or that it created an unfairness in any other way based on the evidence I've seen.

It therefore follows I'm not upholding Mr H's complaint and Vanquis doesn't need to take any further action in resolution of this complaint.

My final decision

My final decision is that I'm not upholding Mr H's complaint about Vanquis Bank Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 1 July 2025.

Richard Turner
Ombudsman