DRN-5620217

The complaint

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

What happened

Mr M applied for a Vanquis credit card in July 2012. In his application Mr M said he was employed with a household income of £50,000. Vanquis carried out a credit search and found Mr M owed around £3,200 in other unsecured debt. Vanquis noted one of Mr M's accounts was in arrears at the point of application but found no other adverse credit. Vanquis applied its lending criteria and approved Mr M's application, issuing a credit card with a £250 limit.

Vanquis went on to increase the credit limit as follows:

Event	Date	Credit Limit
App	Jul-12	£250
CLI1	Apr-13	£750
CLI2	Mar-14	£1,750
CLI3	Aug-14	£2,250
CLI4	Feb-15	£2,500
CLI5	May-16	£3,000

Mr M used the credit card until the end of 2020 when the balance was cleared. Various overlimit and late fees were applied while the account remained open.

Last year, representatives acting on Mr M's behalf complained that Vanquis lent irresponsibly and it issued a final response. Vanquis said it had carried out the relevant lending checks before approving Mr M's application and later increasing the credit limit and didn't agree it lent irresponsibly.

Mr M's case was referred to this service and passed to an investigator. Due to the passage of time since Mr M applied and the credit limit increases no affordability data remains on file with Vanquis. In its absence, the investigator wasn't able to conclude Vanquis carried out reasonable and proportionate checks before agreeing to lend and increasing the credit limit. As a result, the investigator requested bank statements from Mr M's representatives for the months before each lending decision.

Mr M's representatives weren't able to obtained bank statements for the months before the application in July 2012 or the increases up to CLI3. But based on the available evidence, the investigator wasn't persuaded Vanquis lent irresponsibly. Bank statements for the months before CLI4 and CLI5 were provided. When the investigator reviewed the available them they reached the view that Mr M had sufficient disposable income available to cover CLI4 and CLI5. The investigator wasn't persuaded Vanquis lent irresponsibly so didn't uphold Mr M's complaint. Mr M's representatives asked to appeal, so 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 M 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.

Whilst Vanquis has been able to provide some of the application information it used, the affordability checks it would've completed no longer remain on file due to the passage of time. Businesses aren't required to retain information indefinitely and I'm satisfied the affordability checks are no longer available. But without sight of the affordability checks, I'm unable to find that reasonable and proportionate checks were completed. As a result, we would normally request bank statements for the months before each lending decision from the borrower to get a clearer picture of their circumstances at the time.

Unfortunately, again due to the passage of time, Mr M hasn't been able to provide any bank statements for the months before his application in July 2012 up to CLI3 in August 2014. So I've relied on the limited information available when considering how to fairly resolve Mr M's complaint.

I think it's reasonable to note that when Mr M applied to Vanquis he had no adverse credit and owed a reasonably modest balance of £3,200 to other lenders. I can see one of those accounts was in arrears at the time of the application. But I also think it's reasonable to note the initial credit limit of £250 was low and Mr M declared a household income of £50,000. On balance, I'm satisfied the decision to approve Mr M's application and issue a credit card with a £250 limit was reasonable and haven't been persuaded Vanquis lent irresponsibly.

I can see that Mr M incurred a late fee in the same month Vanquis completed its assessment to decide whether to increase his credit limit to £750. But I think it's fair to note Mr M's outstanding balance at the time was less than half the £250 credit limit. And no new arrears or adverse credit was recorded on Mr M's credit file in the months before CLI1. On balance, I'm satisfied the decision to approve CLI1 was reasonable and haven't been persuaded it lent irresponsibly.

In March 2014 Vanquis looked at whether to increase the credit limit to £1,750. I can see that Mr M incurred an overlimit fee in the previous month but the account balance was quickly brought back within the agreed credit limit. I note Mr M's other debts were recorded as £2,306 on his credit file, a reduction from when he first applied, and it was three months since any arrears were recorded. Overall, I'm satisfied the decision to approve CLI2 was reasonable and haven't been persuaded Vanquis lent irresponsibly.

CLI3 was approved in August 2014 and took the credit limit to £2,250. The credit file information shows Mr M's other debts stood at around £2,500 and there were no new arrears or other adverse credit recorded. There were no late or overlimit fees in the three months before CLI3 was approved. It appears Mr M was in a stable position and, based on the available information, I'm satisfied the decision to approve CLI3 was reasonable and haven't been persuaded Vanquis lent irresponsibly.

Mr M was able to provide bank statements for the months before CLI4. I found Mr M's average income was £1,626. Mr M's regular outgoings came to an average of around £950 meaning he had around £670 remaining. The credit file information shows no new missed payments or other adverse credit. And Mr M's other unsecured debt appears to have reduced to around £1,761. There were no recent missed or overlimit fees applied to Mr M's account with Vanquis in the months before CLI4 was approved. Having reviewed Mr M's bank statements I'm satisfied they showed he had capacity to sustainably afford repayments to an increased credit limit of £2,500. In my view, it's more likely than not that Vanquis would've still agreed to increase the credit limit it if had carried out more detailed lending checks. I'm sorry to disappoint Mr M but I haven't been persuaded that the information found in his bank statements shows Vanquis lent irresponsibly.

The final credit limit increase to £3,000, CLI5, was approved in May 2016. No overlimit or late fees had been applied to Mr M's credit card for around six months. The credit file information shows no other outstanding debts in Mr M's name at that time and no new missed payments or arrears were noted. I've also reviewed Mr M's bank statements for the months before CLI5 was approved. They show Mr M had an average income of £1,636 a month and that his average outgoings were around £840 a month. That left Mr M with around £800 a month available to cover his remaining living expenses. In my view, Mr M's bank statements show he was able to sustainably afford repayments to an increased credit limit of £3,000. I think it's more likely than not that Vanquis would've still agreed to increase Mr M's credit limit to £3,000 in May 2016 if it had looked at his bank statements first. I'm very sorry to disappoint Mr M but I haven't been persuaded that Vanquis lent irresponsibly when it agreed to increase his credit limit to £3,000 in May 2016.

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 M 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 M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 25 September 2025.

Marco Manente
Ombudsman