

Complaint

Miss A has complained that Vanquis Bank Limited (“Vanquis”) irresponsibly provided a credit card as well and the subsequent credit limit increases to her. She says that they were unaffordable and shouldn’t have been provided to her.

Background

Vanquis initially provided Miss A with a credit card in September 2012. The credit limit provided was £100. This credit limit was subsequently increased to £200 in February 2013, and then £3,000.00 in May 2017.

One of our investigators reviewed what Miss A and Vanquis had told us. And he hadn’t seen enough to be persuaded that proportionate checks would have shown Vanquis that it shouldn’t have provided the credit card or subsequent credit limit increases. So he didn’t recommend that the complaint be upheld.

Miss A disagreed and asked for an ombudsman to look at her complaint.

My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Miss A’s complaint.

Having carefully considered everything, I’ve not been persuaded to uphold Miss A’s complaint. I’d like to explain why in a little more detail.

Bearing in mind Miss A’s response to our investigator, I think that it would be helpful for me to set out that we consider what a firm did to check whether any repayments to credit were affordable (asking it to evidence what it did) and then determine whether this was enough for the lender to have made a reasonable decision on whether to lend.

Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify that information – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low, the amount lent was high, or the information the lender had – such as a significantly impaired credit history – suggested the lender needed to know more about a prospective borrower’s ability to repay.

That said, I think that it is important for me to explain that our website does not provide a set list of mandated checks that a lender is expected to carry out on every occasion – indeed the regulator’s rules and guidance did not and still do not mandate a list of checks to be used. It simply sets out the types of things that a lender could do.

It is for a lender to decide which checks it wishes to carry out, although we can form a view on whether we think what was done was proportionate to the extent it allowed the lender to reasonably understand whether the borrower could make their payments. Furthermore, if we don't think that the lender did enough to establish whether the repayments to an agreement was affordable, this doesn't on its own mean that a complaint should be upheld.

We would usually only go on to uphold a complaint in circumstances where we were able to recreate what reasonable and proportionate checks are likely to have shown – typically using information from the consumer – and this clearly shows that the repayments in question were unaffordable.

Vanquis says it initially agreed to Miss A's application after it obtained information on her income and carried out a credit search. And the information obtained indicated that Miss A would be able to make the low monthly repayments due for this credit card. Due to Miss A's account being relatively well managed and the information on the credit checks it carried out, Miss A was then subsequently offered her credit limit increases.

On the other hand Miss A says that the credit limit became unmanageable and so she shouldn't have been lent to.

I've considered what the parties have said.

What's important to note is that Miss A was provided with a revolving credit facility rather than a loan. This means that Vanquis was required to understand whether credit limits of £100, £200 and £300 could be repaid within a reasonable period of time, rather than all in one go. I think it's fair to say that credit limits of £100, £200 and £300 required relatively low monthly payments in order to clear the full amount owed within a reasonable period of time.

Vanquis' credit check before initially providing the credit card did indicate that Miss A had had previous difficulties with credit in the form of at least one default recorded against her. But I don't think that this necessarily means that Vanquis shouldn't have lent to her. In my view, it meant that Vanquis needed to exercise more caution which it did do by offering an extremely low initial credit limit.

I've also noted that the credit card was offered in circumstances where Miss A declared receiving an annual income of £20,000.00 and had a low amount of outstanding credit. In these circumstances, I don't think that it was unreasonable for Vanquis to rely on what Miss A said about her income and what had in relation to her expenditure, particularly in light of the low monthly repayments that would be required to repay £100 within a reasonable period of time.

As this is the case, I'm satisfied that the checks carried out before Miss A was initially provided with her credit card were reasonable and proportionate and Vanquis didn't act unfairly when agreeing to open a credit card for Miss A.

As I've explained in the background section of this decision, Vanquis increased Miss A's credit limit on two occasions until it eventually reached £300 in May 2017. These limit increases were modest.

So I wouldn't have expected Vanquis to have done too much more for this increase than it did when determining whether to initially provide the account. I accept that Miss A appears to have defaulted on other credit in the period between the first and the second limit increase. Nonetheless, even if I were to accept that further checks were necessary any such checks

would only have gone as far as finding out more about Miss A's regular living costs, rather than relying on estimates.

And the information Miss A has provided, at least at the time of the limit increase, doesn't show me that her living costs resulted in what she could have to pay as a result of the last limit increase being unaffordable for her. As this is the case, I'm not persuaded that Vanquis carried out further checks would have shown it that this the monthly payments that could be required as a result of this credit limit were unaffordable.

For the sake of completeness, I'm also mindful that these credit limit increases were offered over a period of over four years. Therefore, this isn't a case where I can say that the limit increases themselves ought reasonably to have shown Vanquis that it was rapidly increasing Miss A's indebtedness, or that the pattern of lending here ought reasonably to have led Vanquis to conclude that the facility had become demonstrably unsustainable for Miss A either.

Overall I've not been persuaded that proportionate checks would have shown that Vanquis that it shouldn't have provided this credit card or either of the subsequent credit limit increases to Miss A. Furthermore, I don't think that Miss A's pattern of borrowing meant that Vanquis offered the credit limit increases in circumstances where it ought reasonably to have realised that they may have been unsustainable or otherwise harmful for her either.

In these circumstances and having considered everything, while I can understand Miss A's sentiments and appreciate why she is unhappy, I'm nonetheless not upholding this complaint. I appreciate this will be very disappointing for Miss A. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Miss A's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 11 August 2025.

Jeshen Narayanan
Ombudsman