

## **complaint**

Mr V complains that Vanquis Bank Limited lent irresponsibly to him by accepting him for a credit card and then increasing the credit limit.

## **background**

Mr V successfully applied for a credit card with Vanquis in April 2011. Vanquis increased Mr V's credit limit in March 2013.

Mr V says if Vanquis had done sufficient credit checks they'd have seen he was subject to an Individual Voluntary Arrangement (IVA) – which he'd entered into in June 2010, and wouldn't have lent to him. Mr V also says that when Vanquis increased his credit limit he'd only been making minimum payments on the account and was under a strict budget because of the IVA. Mr V says this should've shown Vanquis that he couldn't repay his balance in a sustainable way. Mr V wants Vanquis to refund all the interest he's paid and any charges.

Vanquis looked at Mr V's complaint. They said they'd followed their own procedures correctly which included taking into account Mr V's individual personal circumstances – which included a credit check, to establish the appropriate level of credit to grant.

They also said that they'd listened to the call Mr V made when he opened the account and this confirmed that Mr V told them that he was full time employed and gave details of his annual income. And its credit check enquires didn't reveal any County Court Judgments or previously defaulted debt. This, together with Mr V's credit score, enabled Vanquis to offer £250 of credit.

Vanquis also said that by January 2013 Mr V had made the majority of the minimum payments in full and on time and some payments were well in excess of the minimum. The bank offered to increase the credit to £1,000 but Mr V could've refused the offer, especially if he had information about his financial circumstances that Vanquis didn't. A further credit check caused no concern and the limit was increased. But Vanquis has also said that between December 2011 and January 2016 four credit increases were offered to Mr V but follow up searches prevented Vanquis from implementing them as at the time he was either over the limit or a payment had been missed.

Vanquis noted that Mr V had said he was under a strict budget in March 2013 but they didn't think his account activity in May 2013 supported this as he'd repaid his outstanding balance and then made three further transactions. So it didn't agree that it had irresponsibly provided the credit to Mr V.

Our investigator looked at Mr V's credit file. He agreed the initial grant of credit was responsible because the bank's internal criteria were satisfied. However he thought the increase was irresponsible because the copy of the credit file Mr V had provided showed Mr V was subject to an IVA and there were seven defaults on the file. Also, Mr V had exceeded his credit limit a number of times and the balance was sometimes higher than the limit. He suggested Vanquis refund interest and charges to Mr V.

Mr V accepted this recommendation. But Vanquis disagreed. They said at the time Mr V applied for the card credit checks didn't reveal anything but that information was no longer available to view because it was more than six years ago.

But they provided the credit checks carried out at the time the credit increase was offered which showed no IVA, bankruptcy or defaulted debt. And they pointed out they'd discovered a potential reason for that - Mr V's address had been recorded differently with Experian. Vanquis also said Mr V paid his full balance in May 2013 and used the full balance again. It noted that over the four years and four months Mr V has missed or paid late seven times. But it pointed out that Mr V was continuing to use the card and repay the outstanding balance so his financial position hadn't been worsened.

Our investigator considered this information and could see that Vanquis did check Mr V's credit file before offering the increased credit but the IVA or defaults didn't show. So he thought Vanquis weren't fully aware of Mr V's credit history when offering increases. So he concluded that Vanquis weren't irresponsible in giving Mr V either the initial credit limit or the increased one in light of what they knew.

Mr V didn't agree. He said his correct address appeared on his credit file and Vanquis could've checked the Insolvency Register for his IVA. Our investigator explained that although the address history was correct, because the IVA and defaults were held under a differently recorded address with Experian they didn't show on the credit check done by Vanquis. And Vanquis used their own processes which didn't include an Insolvency Register check.

Mr V asked the ombudsman to review his case for a final decision.

### **my findings**

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

I'm sorry to disappoint Mr V but I'm not going to uphold his complaint. I'll explain why.

Vanquis was required to lend responsibly. It needed to make checks to see whether Mr V could afford to maintain the credit card in a sustainable way. Those checks needed to be proportionate to things like the amount Mr V was borrowing (plus interest) and what Vanquis knew about his circumstances. But there was no set list of checks that it had to perform.

So I've considered what Vanquis knew at the time they agreed to credit and subsequently increased Mr V's credit limit.

From what I've seen Vanquis asked Mr V about his employment and annual household income. And that it did a credit search when it first provided the credit card to him and when it increased his card limit.

I acknowledge that Vanquis can't produce the information it relied on in 2011 as it's no longer available due to the passage of time. But it has now provided information about the checks it carried out when the credit limit was increased.

Having considered this carefully, I'm satisfied that the credit checks don't show that Mr V was subject to an IVA or that he had defaults in 2013. As this was several years after Mr V had entered into the IVA, I think it's most likely that Vanquis would have seen similar information in 2011. It seems the reason those things don't appear on the credit search results Vanquis obtained is because of an anomaly in the way Mr V's address has been

recorded with Experian. But this isn't Vanquis' fault so I can't say they're responsible for not being aware of Mr V's true credit history.

I've also considered other matters that Vanquis should've looked at when they increased Mr V's credit limit. Mr V missed payments or paid late on seven occasions, between May 2011 and January 2013. But the over-limit amounts were relatively small - the highest was £22.46. And on each occasion Mr V made payments that exceeded the over-limit amount within eight days. Also between May 2011 and December 2012 Mr V paid far in excess of the minimum payments required. And he has on occasion repaid the balance in full and then continued to spend on the card. So I don't think that Vanquis shouldn't have lent or increased Mr V's credit limit based on what they knew and the way Mr V had used his account.

Overall, taking into account Mr V's household income - when compared to the agreed credit limit of £250 and the increased limit of £1,000 and that the credit search results didn't show anything I think Vanquis should've been concerned about, I think Vanquis did proportionate checks when it provided the credit card to Mr V and subsequently increased his limit. So I don't think Vanquis did anything wrong when it agreed to lend to Mr V.

### **my final decision**

For the reasons set out above, I do not uphold this complaint against Vanquis Bank Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr V to accept or reject my decision before 11 December 2017.

Michaela Jones  
**ombudsman**