

The complaint

Mr B complains that Vanquis Bank Limited didn't carry out proper affordability checks before it approved his application for a credit card and subsequent credit limit increases.

What happened

In June 2018 Vanquis approved a credit card application for Mr B with a limit of £150. In March 2019 it increased Mr B's credit limit to £550.

Mr B says that Vanquis shouldn't have agreed to lend to him. He says he had been declared bankrupt, had a county court judgement (CCJ) against his name and had defaulted on other borrowing. So, he complained to Vanquis.

Vanquis looked into the matter. But it didn't think it had done anything wrong. It said it had properly assessed Mr B's ability to repay the debt taking into account his financial history. It added that as a "second chance" lender, it operates a "low and grow" lending model – providing customers with a low credit limit and only increasing it when they have shown they can manage the account well.

Mr B didn't agree, and he referred his complaint to this service. One of our investigators considered the complaint. But she thought Vanquis had done sufficient checks at the time the credit limits were approved.

Mr B didn't agree with the investigator's findings. He said that he was still in bankruptcy when the original lending was agreed, and that he'd missed payments and was close to his limit before the credit limit was increased. He also said that he'd had a similar complaint upheld.

The investigator considered this, but she didn't think it changed the outcome she had reached given the circumstances of this particular case.

Mr B still didn't agree, so the complaint has been passed to me to reach a final decision.

Having reviewed the complaint, I can see Mr B also raised concerns about a payment deferral request and subsequent default. This matter has been dealt with separately. So, for clarity, this decision solely relates to whether Vanquis treated Mr B fairly when it approved Mr B's credit card application and subsequently increased his credit limit.

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.

Having done so, I've come to the same overall conclusions as the investigator. I appreciate Mr B will be disappointed, so I'll explain why.

Lenders, including credit card providers such as Vanquis, are under a duty before agreeing to lend, to assess the ability of the borrower to repay any money they borrow. 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 at the time.

But ultimately, there is no set list of checks a lender must complete. So, for example, a lender isn't necessarily required to ask for payslips or bank statements.

Here, Vanquis has provided evidence of the information it gathered when it approved Mr B's credit card application and when it increased his limit. And I've reviewed the information carefully to decide if it did sufficient checks.

Mr B applied for the credit card on-line. And I can from his application that he told Vanquis he was full-time employed with an income around £29,000 per annum. I accept the credit search Vanquis completed showed that Mr B had previously experienced some financial problems, and this would have meant he had a low credit score. But that doesn't necessarily mean Vanquis should have declined Mr B's credit card application. Vanquis provides credit to consumers who have had previous financial problems. It initially provides a low starting credit limit which may be increased if the account holder maintains the account satisfactorily.

I can see that Mr B had previously been made bankrupt, but the information indicates he had been discharged from bankruptcy before he applied for this credit card. And while I can also see Mr B had previously defaulted on other borrowing and had a CCJ on his credit file, this all pre-dated the credit card application by over 14 months. And the minimum monthly payment Mr B was required to pay with a credit limit of £150 was £10 per month. So, taking all the above into account, I'm satisfied that Vanquis did sufficient checks when it approved a very modest credit limit of £150.

And from what I've seen it doesn't appear that Mr B's financial circumstances had changed when the limit was increased. I note Mr B has said he had missed payments and was always close to his limit. But having looked at the further credit search results that Vanquis obtained in March 2019 and Mr B's Vanquis credit card statements leading up to the credit limit increase, I don't entirely agree with Mr B's recollections.

The credit search data from 2019 shows that Mr B's financial situation hadn't deteriorated since the credit card was initially approved. His overall indebtedness had reduced, and no further accounts had been defaulted. I appreciate that Mr B has shown he was utilising pay day lending. But from what I've seen – during the time frame of this complaint, Mr B was meeting his commitments in that respect. And most of this type of borrowing was either taken around the same time as the Vanquis credit/limit increase or later.

Mr B has provided information to show that he subsequently went on to struggle to repay some of this borrowing. But I haven't seen enough to persuade me that these lenders had reported any adverse information to the credit reference agencies at the point Vanquis did its credit searches.

And Mr B's Vanquis statements show that he regularly paid more than the minimum payment required between June 2018 and March 2019. At the time his limit it was increased Mr B owed Vanquis around £79 against the £150 credit limit. And Vanquis' records indicate since being approved for the card Mr B had - on average, utilised 75% of his credit limit. I

can see that Mr B did - on a couple of occasions, exceed his limit. But this was by no more than £2.13. And I can also see this was rectified when the monthly statement was produced. So, like the investigator, I'm persuaded this was more of a result of a miscalculation rather than financial difficulties at this time.

As a whole, it does appear that Mr B was generally managing his finances satisfactorily at the time the limit was increased. And the increased monthly repayment required after the increase was still modest at around £30 per month when compared to an annual income of £29,000. And it was less than Mr B had been able to pay in the months previously. So, I'm persuaded that Vanquis did enough checks when it agreed to increase the credit limit to £550.

I can see things started to go wrong for Mr B from February 2020. I understand this coincides with an injury Mr B suffered which prevented him from working. And he was later impacted by the pandemic. And I do sympathise with Mr B about his injury and how this and the pandemic impacted on his ability to work. But it seems to me that Mr B's Vanquis borrowing became unaffordable when he stopped working rather than the credit card and subsequent limit increase being provided irresponsibly. I'm satisfied that his change of circumstances happened sometime after his credit limit was increased. And Vanquis had no way of knowing at the time it approved his credit card and limit increase how Mr B's personal circumstances might change.

I've noted Mr B's comments about similar case being upheld. But that complaint related to a different type of borrowing which had different terms of repayment and costs. So, while the complaint points raised are similar, the circumstances are different. And I need to decide this case on its individual circumstances.

Overall, I'm satisfied that Vanquis did enough checks at the time it approved a credit card for Mr B and when it increased the credit limit.

My final decision

For the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 7 September 2022.

Sandra Greene
Ombudsman