

Complaint

Mr D has complained about a credit card Vanquis Bank Limited (“Vanquis”) provided to him. He says the credit card and limit increases should not have been provided to him as they were unaffordable.

Background

Vanquis provided Mr D with a credit card with an initial limit of £1,000.00 in November 2017. Mr D’s credit limit was increased to £2,500.00 in June 2018; £3,500.00 in October 2018; £4,000.00 in April 2019; and finally £5,000.00 in February 2023.

One of our investigators reviewed what Mr D and Vanquis had told us. And she thought that Vanquis hadn’t done anything wrong or treated Mr D unfairly in relation to providing the credit card or offering him the credit limit increases. So she didn’t recommend that Mr D’s complaint be upheld.

Mr D disagreed and asked for an ombudsman to look at the 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 Mr D’s complaint.

Vanquis needed to make sure it didn’t lend irresponsibly. In practice, what this means is Vanquis needed to carry out proportionate checks to be able to understand whether Mr D could afford to repay any credit it provided.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. 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 it – 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 or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to lend to a customer irresponsibly.

Vanquis says it initially agreed to Mr D’s application after it obtained information on his income and carried out a credit search. And the information obtained indicated that Mr D would be able to make the monthly repayments due for this credit card. Due to Mr D’s account being relatively well managed he was then offered the subsequent credit limit increases.

On the other hand Mr D says that he shouldn’t have been lent to.

I've considered what the parties have said.

What's important to note is that Mr D was provided with a revolving credit facility rather than a loan. And this means that to start with Vanquis was required to understand whether a credit limit of £1,000.00 could be repaid within a reasonable period of time, rather than all in one go. A credit limit of £1,000.00 did not require huge monthly payments in order to clear the full amount owed within a reasonable period of time.

Vanquis says its credit check indicated that Mr D had had previous difficulties with credit in the form of a bankruptcy, which took place in 2011. While this is the most serious form of adverse information a borrower could have on their credit file, I need to take into account that this had occurred six years prior to this application. And as Mr D didn't have much in the way of active debts or commitments at the time of his application for this card, I don't think that it was unreasonable for Vanquis to rely on what Mr D provided about his income and expenditure during his application.

As this is the case, I'm satisfied that the checks carried out before Mr D was initially provided with her credit card were reasonable and proportionate.

For the first credit limit increase, it appears as though Vanquis relied on Mr D having been managed well in the seven months or so since his account had been opened. I'm not necessarily persuaded that this was an indication that Mr D should be lent up to a further £1,500.00.

However, I'm also mindful that although there wasn't anything in the way of any additional significant adverse information on the credit search Vanquis carried out – there were no defaults, or short-term lending for example. And Mr D's external debt hadn't increased substantially since his initial card application was made.

So although I think that there were some potential signs that Vanquis needed to monitor going forward, in terms of the number and frequency of increases, I'm satisfied that it was reasonable for Vanquis to conclude that Mr D was in a position to afford the increased payments required for this credit limit increase. Therefore, I don't think that Vanquis acted unfairly or unreasonably when offering Mr D the June 2018 limit increase.

It looks like Vanquis relied on similar checks before offering the remaining limit increases offered. Mr D's response to the investigator's assessment appears to be suggesting the number of limit increases themselves means that his complaint should be upheld. However, while I think that the number of limit increases offered and the period of time they took place over are factors to take into account, I don't agree that this automatically means Mr D's complaint should be upheld.

That said, given the amount of the likely increased monthly payments required for the increases, I do think that it would have been reasonable and proportionate for Vanquis to find out a bit more about Mr D's regular living costs before offering them. As Vanquis didn't obtain this information, I've considered the information Mr D has provided with a view to deciding what it might have found out about Mr D's regular living costs had this information been asked for.

Having done so, I don't think that Vanquis would have made a different decision even if it had asked Mr D for more information. I say this because the information Mr D has provided about his finances at the respective times appears to show that when his committed regular living expenses and existing credit commitments were deducted from his income, he did have the funds, at the time at least, to sustainably make the repayments due.

So, in these circumstances, it's difficult for me to conclude that Vanquis would have determined that Mr D didn't have sufficient funds to make the repayments for the increased credit limit. This is even if it had tried to find out more about his circumstances at the respective times.

It's possible that Mr D's position might have been worse than what it looks like, or that it worsened after the credit limit increases took place. I've noted the balances in Mr D's current account as well as the activity that led to them. I accept that Mr D was not guaranteed to have such healthy balances in the circumstances.

But it wouldn't be fair and reasonable for me to use hindsight here, or say that Vanquis should have known about this. This is especially as the available information indicates proportionate checks would more likely than not have shown that Mr D could repay what he could owe at the time the lending decisions were made. And, in any event, saying that Vanquis should have obtained bank statements and taken into account that Mr D's balance could end up being lower than it was wouldn't be fair and reasonable here.

So overall while I can understand Mr D's sentiments, I don't think that Vanquis treated Mr D unfairly or unreasonably when providing him with his credit card or subsequently increasing his credit limit on the occasions that it did. And I'm not upholding Mr D's complaint. I appreciate this will be very disappointing for Mr D. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mr D's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 6 March 2024.

Jeshen Narayanan
Ombudsman