

## **Complaint**

Ms M has complained that Vanquis Bank Limited (“Vanquis”) irresponsibly provided her with a credit card when she was already struggling and which was unaffordable for her.

## **Background**

This complaint is about a credit card Vanquis which initially provided to Ms M, credit limit of £500, in October 2014. The credit limit was then increased on four occasions at the following times:

May 2015 - £1,500.00  
October 2015 - £2,500.00  
June 2016 - £3,000.00  
November 2016 - £3,500.00

Having looked at Ms M’s account balances, I can see that she never had a balance which exceeded £3,000.00. Therefore, she in effect, never used the extra credit granted from November 2016 onwards. In these circumstances, Ms M didn’t lose out as a result of the credit limit increase from November 2016 and so we’ve not looked into the complaint about that limit increase.

One of our investigators looked at everything provided and felt that he didn’t have enough to reasonably conclude that proportionate checks would have shown Vanquis that it shouldn’t have provided this account or the credit limit increases utilised to Ms M. So she didn’t think that the complaint should be upheld.

Ms M disagreed with our investigator’s conclusions and asked for an ombudsman’s review of 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.

Having carefully considered everything, I’ve decided not to uphold Ms M’s complaint. I’ll explain why in a little more detail.

We’ve set out our general approach to complaints about unaffordable and irresponsible lending - including the key relevant rules, guidance and good industry practice - on our website.

Vanquis needed to take reasonable steps to ensure that it didn’t lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Ms M could afford to repay what she was being lent in a sustainable manner.

These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and the consumer’s income and expenditure.

With this in mind, in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate. But certain factors might point to the fact that Vanquis should fairly and reasonably have done more to establish that any lending was sustainable for the consumer. These factors include:

- the *lower* a consumer's income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);
- the *higher* the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- the *greater* the frequency of borrowing, and the longer the period of time during which a customer has been indebted (reflecting the risk that prolonged indebtedness may signal that the borrowing had become, or was becoming, unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

I've kept all of this in mind when deciding Ms M's complaint.

Ms M's account was opened in October 2014 with a credit limit of £500. The credit card Vanquis provided Ms M with was, what is known in industry terms as, a revolving credit facility. In effect, this meant that Vanquis was required to understand whether Ms M could repay £500 within a reasonable period of time.

I understand that Vanquis carried out a credit check before initially agreeing to provide Ms M with this account. Vanquis has said that it saw that Ms M had low levels of external debt which she was managing well. For example, there was no significant recent adverse information recorded such as defaulted accounts or county court judgements ("CCJ").

Furthermore, what is important to note is that a credit limit of £500 required relatively small monthly payments in order to clear the full amount owed within a reasonable period of time. And I've not been provided with any other clear evidence to show that Ms M circumstances were such that I could reasonably conclude that she didn't have the funds to make the very low monthly payment required for such a limit.

As this is the case, I'm satisfied that it wasn't unreasonable for Vanquis to have agreed to this account. And I find that Vanquis didn't treat Ms M unfairly when it initially agreed to provide Ms M with a credit card which had a limit of £500 in October 2014.

As I've explained in the background section of this decision, Vanquis increased Ms M's credit limit on four occasions until it eventually reached £3,500.00 in November 2016. And I've explained why I'm only looking at the first three of these increases.

By the time of the first limit increase in May 2015, Ms M's credit limit was being increased to £1,500.00. So I would have expected Vanquis to have found out more about Ms M's income and expenditure (particularly about her regular living expenses) before providing this and any further credit limit increases.

As Vanquis has been unable to evidence having done this in this instance, I don't think that the checks it carried out before it provided the May 2015 limit increase and the subsequent ones were reasonable and proportionate.

Ordinarily, where a firm failed to carry out reasonable and proportionate checks before providing credit or increasing the amount available to a customer, I'd usually go on to recreate reasonable and proportionate checks in order to get an indication of what such checks would more likely than not have shown.

However, despite having been given ample opportunity to do so, Ms M hasn't provided us with the evidence to show what her actual living costs were at the time. And without this information, while I accept that Vanquis needed to do more in terms of finding out about Ms M's living costs, I can't reasonably say that doing this would have shown it that Ms M couldn't have afforded to make the payments that would be due as a result of these increased limits. And given Ms M's wasn't regularly exceeding her credit limit or managing the account poorly, I don't think that the pattern of lending here itself clearly demonstrates that the lending was unsustainable for Ms M either.

So overall and having carefully considered everything, I've not been persuaded that proportionate checks would have shown that Vanquis that it shouldn't have provided this credit card, or any of the subsequent limit increases to Ms M. And I'm therefore not upholding Ms M's complaint.

I appreciate this will be very disappointing for Ms M. 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 this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms M to accept or reject my decision before 8 April 2024.

Jeshen Narayanan  
**Ombudsman**