

## **Complaint**

Mrs K has complained about a credit card Vanquis Bank Limited (“Vanquis”) provided to her. She says credit card as well as the limit increase were irresponsibly provided.

## **Background**

Vanquis provided Mrs K with a credit card with an initial limit of £250 in May 2022. Mrs K was then offered a credit limit increase to £500, for her account, in December 2022.

One of our investigators reviewed what Mrs K and Vanquis had told us. And he thought Vanquis hadn’t done anything wrong or treated Mrs K unfairly in relation to providing the credit card or increasing the credit limit. So he didn’t recommend that Mrs K’s complaint be upheld.

Mrs K 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 Mrs K’s complaint.

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

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 Mrs K 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 Mrs K’s application after it obtained information on her income and carried out a credit search. And the information obtained indicated that Mrs K would be able to make the low monthly repayments due for this credit card. Due to Mrs K’s account being relatively well managed she was then offered a credit limit increase to £500.

On the other hand Mrs K says that she shouldn’t have been lent to.

I've considered what the parties have said.

What's important to note is that Mrs K was provided with a revolving credit facility rather than a loan. This means that to start with Vanquis was required to understand whether a credit limit of £250 could be repaid within a reasonable period of time, rather than all in one go. And a credit limit of £250 required relatively small monthly payments in order to clear the full amount owed within a reasonable period of time.

Vanquis' credit check did indicate that Mrs K had had previous difficulties with credit in the form of a default. But it's fair to say that this was historic given the last default had occurred close to three years prior to this application. It's possible that this may have happened on another Vanquis product as Mrs K says. But given this would still have taken place some time before, I don't think that this means that she shouldn't have been lent to in the way that she suggests.

So, in these circumstances, I don't think that it was unreasonable for Vanquis to rely on what Mrs K 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 £250 within a reasonable period of time.

As this is the case, I'm satisfied that the checks carried out before Mrs K was initially provided with her credit card were reasonable and proportionate and Vanquis didn't act unfairly when opening Mrs K's account.

For the credit limit increase, it appears as though Vanquis relied on Mrs K's account having been managed well in the four months or so since it had been opened.

In the first instance I should make it clear that it isn't immediately apparent to me how it is automatically the case that a borrower can afford a higher amount of credit simply because they might not have defaulted on a lower amount. It seems to me that this logic would suggest that credit limit increases should continue to be granted until after a customer has struggled to make repayments – even though the regulations require a lender to carry out reasonable enquiries to ensure that this doesn't happen.

Leaving aside my concerns regarding the justification for the credit limit increase, in my view, what's important here is that Mrs K was by and large not using all of her existing limit and was also making more than just the required minimum payment prior to her credit limit increase being offered. Indeed, Mrs K had only been using 50% of her available balance for most of the period leading up to the credit limit increase taking effect.

So Mrs K's actions and repayment record did indicate that she might be able to make the payments on a £500 credit limit as she made payments in excess of what was required to repay this amount within a reasonable period of time.

I'm also mindful that there wasn't anything in the way of any additional significant adverse information on the credit search Vanquis carried out either. Indeed the amount Mrs K owed towards creditors had actually reduced at this stage. Given what Vanquis' income and expenditure assessment showed, the amount of the likely increased monthly payments, I'm not persuaded that it was unfair or unreasonable for Vanquis to have offered this limit increase.

And as this is the case, I don't think that it was irresponsible for Vanquis to have offered to increase Mrs K's credit limit to £500 in December 2022 either.

So overall while I can understand Mrs K's sentiments, I don't think that Vanquis treated Mrs K unfairly or unreasonably when providing her with her credit card or subsequently increasing her credit limit. And I'm not upholding Mrs K's complaint. I appreciate this will be very disappointing for Mrs K. 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 Mrs K's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs K to accept or reject my decision before 20 June 2024.

Jeshen Narayanan  
**Ombudsman**