

## **The complaint**

Mr D feels that Vanquis Bank Limited provided him with new and existing credit which he couldn't afford.

## **What happened**

In July 2016, Mr D successfully applied to Vanquis for a credit account, and he received a credit card from Vanquis with an initial credit limit of £150 that same month. In March 2017, Vanquis increased the credit limit on Mr D's account from £150 to £300. And Vanquis increased Mr D's credit limit again in February 2019, from £300 to £1,000.

In November 2023, Mr D raised a complaint with Vanquis because he felt that all three instances of credit provided to him by Vanquis, as described above, had been unaffordable for him at those times. And Mr D also felt that the unaffordability of the credit for him should have been apparent to Vanquis, had they undertaken checks into his financial position before offering him that credit.

Vanquis responded to Mr D and explained that they had undertaken checks into his financial position before offering him new or further credit and that, in all instances, they remained satisfied that the checks had shown that Mr D would most likely be able to afford that credit. Mr D wasn't satisfied with Vanquis' response, so he referred his complaint to this service.

One of our investigators looked at this complaint. But they didn't feel that Vanquis had provided credit irresponsibly as Mr D contended, and so didn't uphold the complaint. Mr D remained dissatisfied, so the matter was escalated to an ombudsman for a final decision.

## **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.

It's for a business to decide whether it will offer credit to a customer, and if so, how much and on what terms. What this service would expect would be, that before approving a customer for a new line of credit, or before increasing the amount of credit available to a customer on an existing line of credit, the business would undertake reasonable and proportionate borrower focussed checks to ensure that any credit being offered to a customer is affordable for that customer at that time.

Vanquis believe that they did that here and note that when Mr D made new credit account applications, they took information from him about his employment status and annual income, as well as obtained information from a credit reference agency to get a better understanding of his wider financial position.

Vanquis also confirm that before the later credit limit increases were applied to Mr D's account, they obtained new information from credit reference agencies to refresh their understand of Mr D's financial position. And Vanquis contend that there was nothing

resulting from that information that should have given them any reasonable cause to believe that Mr D might not be able to afford the further credit he was subsequently approved for.

#### *Initial credit account application – July 2016*

In July 2016, Mr D applied to Vanquis for a credit account with a relatively low credit limit of £150. Because of the length of time that's elapsed since that application, not all the information that Vanquis has assessed has survived. This isn't unexpected, given that businesses aren't generally expected to retain such information for more than six years. However, the information that is available shows that, in his application, Mr D informed Vanquis that he was employed full-time with a monthly income of approximately £1,250.

It isn't clear whether Vanquis completed a more detailed check of Mr D's income and expenditure at that time. However, it can be seen from Mr D's Vanquis account statements that Mr D did later utilise close to the full £150 credit limit available to him, and at those times his minimum monthly payments were roughly £10. And considering this information, I don't feel that it can reasonably be concluded that Mr D would most likely have been unable to afford this initial credit provision of £150.

Vanquis also considered Mr D's credit file when assessing his application, and this showed that Mr D only had £48 of existing credit, which was on a pay day loan that had been taken out by him roughly four years prior.

Notably, Mr D's credit file also showed that he had defaulted on several credit accounts a few years earlier, in 2013, and so it's clear that Mr D had been in financial difficulty at that time. But it had been nearly three years since the last of those defaults, and Mr D appeared to have managed his financial affairs responsibly since that time.

As such, when considered with the relatively low amount of credit Mr D was applying for and the low amount of existing credit he held, I don't feel it was unreasonable for Vanquis to consider the financial difficulty that Mr D had experienced in 2013 to have been a historical event that Mr D appeared to have recovered from.

Accordingly, taking all the above into consideration, I don't feel that it was unreasonable for Vanquis to feel that Mr D would most likely be able to afford a credit account with the relatively low credit limit of £150. And I therefore don't feel that Vanquis provided this credit to Mr D irresponsibly.

#### *Credit limit increase from £150 to £300 – March 2017*

When Vanquis increased the credit limit of Mr D's account from £150 to £300 in March 2017, they had the benefit of being able to assess how Mr D had managed his account up to that time. This showed that Mr D hadn't incurred any late payment charges and that he'd maintained the balance of his account within the credit limit so that he also hadn't incurred any overlimit charges. And Mr D's statements also didn't show any gambling transactions or cash withdrawals which might have given Vanquis a reason to suspect that Mr D might have been in any form of financial difficulty.

Additionally, Vanquis continued to assess the information reported to Mr D's credit file at that time. And this showed that Mr D's financial position didn't appear to have worsened, with no large increase in other existing credit which might have indicated that Mr D might have been struggling financially.

Also, while Vanquis were doubling the amount of credit that would be available to Mr D, the increased limit of £300 remained a relatively low credit limit amount. And if Mr D were to use

the full £300 credit available to him, his minimum monthly payments would have only been approximately £20, which given Mr D's apparent financial position at that time doesn't seem to have potentially been unmanageable for Mr D.

Accordingly, in consideration of all this information, I don't feel that it was unreasonable for Vanquis to feel that Mr D would most likely be able to afford the credit limit increase to £300. And I therefore don't feel that Vanquis provided this further credit to Mr D irresponsibly.

#### *Credit limit increase from £300 to £1,000 – February 2019*

Following the increase in Mr D's credit limit from £150 to £300, Mr D did immediately use the additional credit that was available to him, and he went slightly over the £300 credit limit in three of the next seven months, incurring overlimit charges as a result.

However, in the six months leading up to the second credit limit increase in February 2019, Mr D had reduced the balance of his Vanquis account and had maintained the balance of the account at around £200. And Mr D's statements during that time continued to show that Mr D didn't appear to be spending on gambling or taking cash withdrawals using his credit card. As such, I'm satisfied that there was nothing in how Mr D was managing his Vanquis account in the months leading up to the second credit limit increase which should reasonably have given Vanquis any cause for concern.

Additionally, before applying this credit limit to Mr D's account, Vanquis sent an email offering the credit limit to Mr D, dependent upon him completing an income and expenditure assessment form and returning it to Vanquis – which Mr D did. And in this form, Mr D stated that his total monthly income was £1,400, while his total monthly expenditure at that time was £1,085 – meaning that Mr D declared a disposable monthly income amount of £315.

Following the credit limit increase to £1,000, Mr D did utilise close to the full £1,000 credit available to him for some time, and his minimum monthly payments for that time can be seen to be roughly £90. This equates to less than 30% of the £315 disposable monthly income that Mr D had declared and left him a further £225 disposable income every month.

Accordingly, even considering the possibility that Mr D might have used the full £1,000 credit limit available to him, which he did, I don't feel that it was unreasonable for Vanquis to conclude from the information available to them that Mr D would most likely have been able to afford the credit limit increase to £1,000.

Mr D has said that he'd defaulted on another credit account around May 2018, which he feels Vanquis should have been aware of, and which should have indicated that he was struggling financially. Vanquis have confirmed that they were of this default and did consider it. But they've noted that the default amount was relatively low, at £400. And Vanquis have explained that they felt that Mr D's good management of his finances after that event and up to that time, alongside the income and expenditure information he'd provided to them, led them to conclude that Mr D would most likely be able to afford the credit limit increase.

Vanquis' assessment here seems fair to me, and I feel that it was reasonable for Vanquis to place a greater emphasis on the income and expenditure information Mr D had provided to them alongside the good recent management of the account by Mr D. And given that Vanquis obtained the income and expenditure information from Mr D over half a year after the most recent default took place, I feel it was reasonable for them to consider the financial information Mr D provided to them to have superseded any difficulties he may have experienced in the recent past.

Accordingly, while an assessment of Vanquis' provision of further credit to Mr D in February 2019 isn't without points of concern – such as the recent default and the amount of further credit being provided – I feel that ultimately it was reasonable for Vanquis to conclude that Mr D would most likely be able to afford this further credit, even in consideration of those points of concern

### *Conclusion*

Given all that I've explained above, I feel that in all three instances of credit provision discussed above, it was reasonable for Vanquis to have concluded from the information they gathered regarding Mr D's financial position that Mr D would most likely have been able to afford the credit that they provided to him at those times.

All of which means that I don't feel that Vanquis did provide credit to Mr D irresponsibly or treat him unfairly as he feels was the case here. And it follows from this that I won't be upholding this complaint or instructing Vanquis to take any further or alternative action.

I realise this won't be the outcome Mr D was wanting. But I hope that he'll understand, given what I've explained, why I've made the final decision that I have.

### **My final decision**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 18 June 2024.

Paul Cooper  
**Ombudsman**