

## **The complaint**

Mr A complains that Vanquis Bank Limited was irresponsible in its lending to him.

Mr A is represented by a third party but for ease of reference I have referred to Mr A throughout this decision.

## **What happened**

Mr A was provided with a credit card with a credit limit of £250 in January 2017. His credit limit was then increased on three occasions. Mr A says that Vanquis didn't carry out adequate checks before increasing his credit limit and that this additional credit has caused him significant financial difficulties.

Vanquis issued a final response letter dated 17 December 2023. It said that all applications are credit scored to assess the applicant's ability to pay and that each application is assessed on an individual basis given the information supplied at the time. It said Mr A's account was opened in January 2017 and he confirmed at the time he was self-employed with an annual income of £26,400. It said Mr A's credit file didn't raise concerns and the other information received met its lending policy. Based on this Mr A was provided a credit card with an initial credit limit of £250.

Vanquis reviewed Mr A's credit facility and increased his credit limit to £1,000 in September 2017, to £1,750 in February 2018 and to £2,500 in March 2019. It said that prior to the credit limit increases relevant checks were carried out and as Mr A's results met its lending policy it considered the additional lending was affordable.

Our investigator thought the checks carried out by Vanquis before the credit card was provided and before the first credit limit increase to £1,000 was applied were proportionate and that these didn't suggest the lending to be unaffordable.

Before the credit limit was increased to £1,750, our investigator thought it would have been proportionate for Vanquis to have got a clear understanding of Mr A's committed expenditure. But, based on the evidence he had seen he didn't think that had this happened it would have showed that Vanquis had made an unfair lending decision.

Before the final credit limit increase to £2,500 was applied, Vanquis carried out an income and expenditure assessment which our investigator thought was proportionate. He said the result of this assessment suggested the lending was affordable. He noted Mr A's credit report at the time didn't show signs of financial difficulty and while Mr A's utilisation of the credit card was above 90%, he noted he was making above minimum repayments and didn't have any over limit or late charges applied in the previous three months. Therefore, He didn't think that Vanquis did anything wrong by increasing Mr A's credit limit to £2,500.

Mr A didn't accept our investigator's view. He said that his behaviour at the time the credit was provided should have raised concerns for Vanquis which should have prompted further checks to have taken place. He noted that his external debts were escalating and thought there were clear indications that he was overextending himself. Mr A didn't accept that he

was managing his account well as he had incurred over limit and late payment charges.

Mr A thought that his financial circumstances should have been verified which meant his bank statements should have been checked. He said that had this happened Vanquis would have seen that he was spending large amounts on gambling.

### **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.

Our approach to considering complaints about unaffordable and irresponsible lending is set out on our website. I've had this approach in mind when considering what's fair and reasonable in the circumstances of this complaint.

There isn't a set list of checks that lenders need to complete, but they need to be borrower focused. This means they need to consider things like the type of lending, the cost of the lending as well as the amount, how long the customer will need to make repayments for and the potential consequences of not meeting the repayments.

Mr A was provided with a credit card account in January 2017. The initial credit limit was £250, and this was increased in September 2017, February 2018 and March 2019. I have considered each of the lending decisions below.

#### *Account opening - January 2017*

When Mr A applied for a Vanquis credit card, he said he was self-employed with an annual income of £26,400. A credit check was undertaken which showed Mr A had mortgage and credit card accounts and that he was maintaining the repayments on his credit commitments. There were no defaults or county court judgments recorded. As the credit check didn't raise concerns and noting the size of the credit limit provided compared to Mr A's declared income, I find the checks carried out were proportionate.

Looking through the results of the checks, I do not find that these suggested the provision of a credit card with a credit limit of £250 would be unaffordable for Mr A.

#### *First credit limit increase - September 2017.*

Mr A was provided with a credit limit increase to £1,000 in September 2017, around nine months after the initial card was provided. During that time, Mr A had exceeded his credit limit in two of the months, but he then brought his account back within the limit. A credit check was carried out and this didn't record Mr A as having any recent short-term loans or defaults and it showed he was maintaining his repayments on his credit commitments. Mr A's total debt balances (excluding his mortgages) had increased since January 2017, but as these were recorded as £2,658, I do not find this raised concerns about Mr A's indebtedness.

So, while I note the Mr A had exceeded his credit limit prior to the credit limit increase, as the credit check didn't raise concerns about how Mr A was managing his commitments and considering the new credit limit of £1,000 compared to Mr A's previously declared income, I think the checks carried out were reasonable. Based on these I do not find I can say the lending should have been considered unaffordable.

#### *Second credit limit increase - February 2018*

The second credit limit increase was to £1,750. A credit check was carried out and while Mr A's non-mortgage debts had increased to £3,193, I do not think this should have raised significant concerns. The other information gathered didn't suggest Mr A was struggling financially. Mr A's account management data didn't raise concerns and Mr A was remaining within his credit limit and not incurring late payment charges.

While I don't think the credit check or account management information suggested Mr A was struggling financially, given the credit limit that would be available after this increase compared to the initial credit limit provided around a year earlier, I think it would have been proportionate for Vanquis to ask further questions to confirm Mr A's income and to understand his committed expenditure. However, based on the information I have seen, I think that had further questions been asked, Mr A's income would have been found to be around the amount he had declared when he applied for the credit card, and I have nothing to suggest that his other committed outgoings would have suggested this additional lending was unaffordable.

I note the comment Mr A has made about his bank account statements showing his gambling. I accept this but given the size of the credit limit being provided I do not think that Vanquis was required at this stage to verify Mr A's financial circumstances and so I wouldn't have expected it to have requested copies of bank statements. Instead I think it should have asked further questions and based on what I have seen, I do not find these would have suggested the lending was unaffordable and I have nothing to suggest that Mr A would have disclosed his gambling at that time.

#### *Final credit limit increase – March 2019*

Mr A's credit limit was increased to £2,500 in March 2019. Before this happened, a credit check was carried out which showed Mr A's external borrowing (excluding mortgages) had increased to £13,108. Mr A's employment status was confirmed as self-employed, and he declared a monthly income of £2,000. Noting Mr A's declared income was slightly higher than the amount he declared in January 2017, I find it reasonable that this amount was accepted. Mr A was recorded as contributing to a mortgage with housing costs of £700. His living costs were recorded as £500 and his total expenditure as £1,713.

Taking into consideration how Mr A had managed his account prior to this credit limit increase and noting the additional lending that was being provided, I find that undertaking an income and expenditure assessment and credit check before providing the lending was proportionate. As the results of these didn't suggest that the additional lending was unaffordable for Mr A, I do not find I can say that Vanquis was wrong to provide the additional credit.

In conclusion, while I think that had Vanquis been aware of Mr A's gambling this would have raised concerns about the responsibility of providing further credit, in this case, Vanquis wasn't aware. And I do not find that the checks required before the lending was provided would have identified this. Therefore, based on the evidence I have seen, I do not uphold this complaint.

#### **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 A to accept or reject my decision before 20 June 2024.

Jane Archer  
**Ombudsman**