

The complaint

Mr S complains that Vanquis Bank Limited irresponsibly lent to him.

Mr S is represented by a solicitor's firm in bringing this complaint. But for ease of reading, I'll refer to any submission and comments they have made as being made by Mr S himself.

What happened

Mr S was approved for a Vanquis credit card on 17 October 2017 with an initial £1,000 credit limit. Vanquis increased the credit limit on several occasions which I have detailed below.

June 2018	£1,000 to £2,500
February 2019	£2,500 to £3,500
October 2019	£3,500 to £4,000
November 2022	£4,000 to £5,000

Mr S made a complaint to Vanquis that they irresponsibly lent to him. As Vanquis did not respond to Mr S' complaint, then Mr S brought his complaint to our service.

Our investigator did not uphold Mr S' complaint. She said his credit file showed no adverse information such as defaults or County Court Judgements (CCJ's), and Mr S was up to date with his other accounts. She said Vanquis obtained Mr S' income (£26,000) and the credit check showed external credit of £940, so based on the type of credit and the amount provided, she was satisfied the checks carried out were both reasonable and proportionate, and they gave no indication that Mr S wouldn't be able to repay the credit in a sustainable way.

Our investigator said that Vanquis would have been able to see how Mr S was managing his existing credit limit before providing increases, and these checks were reasonable. Mr S asked for an ombudsman to review his complaint.

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.

Before agreeing to approve or increase the credit available to Mr S, Vanquis needed to make proportionate checks to determine whether the credit was affordable and sustainable for him. There's no prescribed list of checks a lender should make. But the kind of things I expect lenders to consider include - but are not limited to: the type and amount of credit, the borrower's income and credit history, the amount and frequency of repayments, as well as the consumer's personal circumstances. I've listed below what checks Vanquis have done and whether I'm persuaded these checks were proportionate.

Acceptance for the account - initial credit limit (£1,000):

I've looked at what checks Vanquis did when initially approving Mr S' application. I'll address the credit limit increases later on. Vanquis looked at information provided by credit reference agencies (CRA's) and information that Mr S had provided before approving his application.

I'm persuaded that the account opening checks were proportionate. I say this as the initial credit limit was for £1,000. Based on what Mr S told them his gross annual salary was (£26,000), the credit limit was less than 4% of Mr S' declared gross salary.

But that's not all Vanquis' checks show. The checks show that Mr S had external debt of £940. This was also low compared to Mr S' declared gross salary. The information from a CRA showed no adverse information on Mr S' credit file, such as defaults or CCJ's, and it showed Mr S had one credit application search on his credit file in the prior six months, so it doesn't show Mr S was hungry for credit and making several applications to lenders. So I'm satisfied that Vanquis made a fair lending decision by approving Mr S' application and giving him a £1,000 credit limit.

June 2018 credit limit increase (£1,000 to £2,500):

I've looked at what checks Vanquis did when they increased Mr S' credit limit from £1,000 to £2,500. As the credit limit had more than doubled, I would expect Vanquis' checks to support such an increase.

I'm persuaded that the credit limit increase checks were proportionate. Based on what Mr S originally told Vanquis that his gross annual salary was £26,000, the credit limit after the increase was less than 10% of Mr S' declared gross salary.

The information from the CRA does show that Mr S had a late/missed payment prior to the credit limit increase. This could be an indication that Mr S was encountering financial difficulties. But it could also just have been an oversight on his part.

Vanquis' checks show that Mr S had unsecured debt of £1,362 at the time of the credit limit increase. This is low compared to Mr S' declared gross salary. The information from a CRA showed no defaults or CCJ's. The CRA reported no credit application searches since he was approved for his account. Mr S had not fully utilised the £1,000 credit limit available to him on the Vanquis account (he had utilised 62.07% of this) so it doesn't show Mr S was hungry for credit and making several applications to lenders or using all of his available credit. His Vanquis account appears to have been well operated since the account opening. So I'm satisfied that Vanquis made a fair lending decision by increasing Mr S' credit limit to £2,500.

February 2019 credit limit increase (£2,500 to £3,500):

I've looked at what checks Vanquis did when they increased Mr S' credit limit from £2,500 to £3,500. The credit limit increase was £1,000. So I would expect Vanquis' checks to support such an increase.

I'm persuaded that the credit limit increase checks were proportionate. I can see that Mr S had told Vanquis he was earning £1,500 net a month, was living with parents, and his total expenditure was calculated as £836.69 a month.

The information from the CRA shows no further missed/late payments. But his unsecured debt had risen to £2,359 since the last credit limit increase.

The CRA reported no credit application searches since he was approved for his account. Mr S had not fully utilised the £2,500 credit limit available to him on the Vanquis account (he had utilised 58.18% of this) so it doesn't show Mr S was hungry for credit and making

several applications to lenders or using all of his available credit. His Vanquis account appears to have been well operated since the account opening. And Vanquis' data shows Mr S making higher repayments than the minimum payments, which suggests he has the affordability to be able to support a credit limit increase. So I'm satisfied that Vanquis made a fair lending decision by increasing Mr S' credit limit to £3,500.

October 2019 credit limit increase (£3,500 to £4,000):

I've looked at what checks Vanquis did when they increased Mr S' credit limit from £3,500 to £4,000. The credit limit increase was smaller than the previous increases, with it being £500. But I would still expect Vanquis' checks to support such an increase.

I'm persuaded that the credit limit increase checks were proportionate. I can see that Mr S had told Vanquis he was earning £1,500 net a month, but this time the information from Mr S was that he was contributing to rent (as opposed to living with his parents), so his total expenditure was calculated as £1,241.43 a month.

The information from the CRA does show that Mr S had a late/missed payment prior to the credit limit increase. This could be an indication that Mr S was having financial difficulties. But it could also just have been an oversight on his part.

Vanquis' checks show that Mr S had unsecured debt of £2,859 at the time of the credit limit increase, which was around 11% of his gross annual salary he told Vanquis about originally. The information from a CRA again showed no defaults or CCJ's. The CRA reported no credit application searches since he was approved for his account. Mr S had not fully utilised the £3,500 credit limit available to him on the Vanquis account (he had utilised 40.67% of this) so it doesn't show Mr S was hungry for credit and making several applications to lenders or using all of his available credit.

Mr S' Vanquis account appears to have been well operated since the account opening. Mr S was also using less of his credit limit than he had been using previously. So I'm satisfied that Vanquis made a fair lending decision by increasing Mr S' credit limit to £4,000.

November 2022 credit limit increase (£4,000 to £5,000):

I've looked at what checks Vanquis did when they increased Mr S' credit limit from £4,000 to £5,000, as I would expect Vanquis' checks to support such an increase. I'm persuaded that the credit limit increase checks were proportionate, and I'll explain why.

Mr S appears to have had a wage increase since the previous credit limit increases, as he's told Vanquis his net income was £2,400 a month. His total expenditure was calculated as £1,512.25 a month.

The CRA again reported no credit application searches since he was approved for his account. Mr S had not fully utilised the £4,000 credit limit available to him on the Vanquis account (he had utilised 41.41% of this) so it doesn't show Mr S was hungry for credit and making several applications to lenders or using all of his available credit. His Vanquis account appears to have been generally well ran since the account opening. And Vanquis' data shows Mr S again was making higher repayments than the minimum payments, which suggests he has the affordability to be able to support a credit limit increase. So I'm satisfied that Vanquis made a fair lending decision by increasing Mr S' credit limit to £5,000.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Vanquis lent irresponsibly to Mr S or otherwise treated him unfairly. I haven't seen anything

to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

My final decision

I do not uphold this complaint.

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

Gregory Sloanes
Ombudsman