

Complaint

Mr H has complained about a credit card Vanquis Bank Limited (“Vanquis”) provided to him. He says the credit card and limit increase should not have been provided to him as they were unaffordable.

Background

In February 2019, Vanquis provided Mr H with a credit card which had a limit of £500. Mr H’s credit limit was increased to £1,000.00 in July 2019.

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

Mr H 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 Mr H’s complaint.

Having carefully considered everything, I’ve decided not to uphold Mr H’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 Mr H 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 Mr H’s application after it obtained information on his income and carried out a credit search. And the information obtained indicated that Mr H would be able to make the monthly repayments due for this credit card. It says that due to Mr H’s account being relatively well managed he was then offered the subsequent credit limit increase.

On the other hand Mr H says that he shouldn't have been lent to.

I've considered what the parties have said.

What's important to note is that Mr H was provided with a revolving credit facility rather than a loan. And this means that to start with Vanquis was required to understand whether a credit limit of £500 could be repaid within a reasonable period of time, rather than all in one go. It's fair to say that a credit limit of £500 required relatively low monthly payments in order to clear the full amount owed within a reasonable period of time.

I've seen records of the information Vanquis obtained from Mr H about his income and what was on the credit search carried out. Vanquis says that Mr H declared that he was self-employed with earnings of £22,000.00 a year. The credit checks did show that Mr H had previously had difficulties with credit in the form of three defaulted accounts. However, these were historic as they were approaching five years old. So Vanquis was entitled to place less weight upon them.

Bearing in mind there wasn't anything in this information that was inconsistent or difficult to explain, I don't think that it was unreasonable for Vanquis to rely on what Mr H provided about his income and expenditure during his application. As this is the case and the information obtained suggested that Mr H could repay a balance of £500 within a reasonable period of time, I'm satisfied that the checks carried out before Mr H was initially provided with his credit card were reasonable and proportionate.

For the credit limit increase, it appears as though Vanquis relied on Mr H's account having been managed well in the period since it had been opened. Furthermore, I'm also mindful that there wasn't anything in the way of significant adverse information on the credit search Vanquis carried out. Indeed Mr H's historic defaulted accounts were about to drop off his credit file. Equally, Mr H's external debts were low too.

So although I think that there were some potential signs that Vanquis needed to monitor going forward, for example Mr H's cash withdrawals, once the limit increase was granted, I'm satisfied that it was reasonable for Vanquis to conclude that Mr H was in a position to afford the increased payments required for the credit limit increase.

For the sake of completeness, I'd also add that even if I were to conclude that the checks carried out weren't sufficient, I don't think that Vanquis would have made a different decision even if it had asked Mr H for more information. I say this because at the absolute most it could be said that Vanquis ought to have asked Mr H more about his actual living costs rather than relied on estimates of this.

However, the information Mr H has provided about his finances at the time appears to show that when his committed regular living expenses and existing credit commitments were deducted from his income, he did have the funds, at the time at least, to sustainably make the repayments needed to clear the amount he could owe within a reasonable period.

So, in these circumstances, it's difficult for me to conclude that Vanquis would have determined that Mr H didn't have sufficient funds to make the repayments for the increased credit limit. This is even if it had tried to find out more about his circumstances at the time.

It's possible that Mr H's position might have been worse than what it looks like, or that it worsened after the credit limit increase took place. I know that Mr H's circumstances did worsen during the pandemic and his limit was temporarily reduced by £100 as a forbearance measure.

However, it wouldn't be fair and reasonable for me to use hindsight here, or say that Vanquis should have known about this. This is especially as the pandemic was an unprecedented situation which couldn't have been anticipated. I'd also add that returning Mr H's credit limit to £1,000.00 once he brought his balance back under control wasn't unreasonable either.

In reaching my conclusions, I've also considered whether the lending relationship between Vanquis and Mr H might have been unfair to Mr H under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I've not been persuaded that Vanquis irresponsibly lent to Mr H or otherwise treated him unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

So overall while I can understand Mr H's sentiments, I don't think that Vanquis treated Mr H unfairly or unreasonably when providing him with his credit card or subsequently increasing his credit limit. And I'm not upholding Mr H's complaint. I appreciate this will be very disappointing for Mr H. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mr H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 13 January 2025.

Jeshen Narayanan
Ombudsman