DRN-5166927

Complaint

Miss S has complained about a credit card Vanquis Bank Limited ("Vanquis") provided to her. She says that her credit limit increases were irresponsibly provided.

Background

Vanquis provided Miss S with a credit card in July 2016. Miss S was then offered a credit limit increase to £500 in March 2020 followed by a further limit increase to £1,650.00 in August 2020.

One of our investigators reviewed what Miss S and Vanquis had told us. And he thought Vanquis hadn't done anything wrong or treated Miss S unfairly in relation increasing the credit limit. So he didn't recommend that Miss S' complaint be upheld.

Miss S 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 Miss S' complaint.

Having carefully considered everything, I've decided not to uphold Miss 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 Miss S 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 offered the credit limit increases due to Miss S' account being relatively well managed and after it carried out credit searches. In its view the information obtained would have indicated that Miss S would be able to make the low monthly repayments due for these limit increases.

On the other hand Miss S says that she shouldn't have been lent to.

I've considered what the parties have said.

What's important to note is that Miss S was provided with a revolving credit facility rather than a loan. This means that Vanquis was required to understand whether credit limits of £500 and £1,650.00 could be repaid within a reasonable period of time, rather than all in one go. And credit limits of £500 and £1,650.00 didn't require especially large monthly payments in order to clear the full amount owed within a reasonable period of time.

At the time of the first limit increase, Vanquis' credit check did indicate that Miss S had had previous difficulties with credit in the form of a defaults and county court judgments ("CCJ") recorded against her. But it's fair to say that these difficulties were historic given they were over two years prior to the credit limit increases and it's fair to say that Vanquis had responded to this previously. Furthermore, Miss S had low balances on her existing credit.

So, in these circumstances, I don't think that it was unreasonable for Vanquis to rely on what Miss S 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 £500 within a reasonable period of time.

As this is the case, I'm satisfied that the checks carried out before Miss S was provided with the limit increase to £500 were reasonable and proportionate and Vanquis didn't act unfairly when opening Miss S' account.

For the second credit limit increase, it appears as though Vanquis relied on Miss S' account having been managed well in the four months or so after the first limit increase.

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 there wasn't anything in the way of any additional significant adverse information on the credit search Vanquis carried out. Indeed the amount Miss S owed to her creditors had reduced in the period since the first limit increase. Equally, Vanquis also asked some Miss S to confirm some information on her income and expenditure before this limit increase was provided too.

Given what Vanquis' income and expenditure assessment showed, the amount of the likely increased monthly payments and the fact that Miss S' external indebtedness appeared to be decreasing, 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 Miss S' credit limit to £1,650.00 in August 2021 either.

In reaching my conclusions, I've also considered whether the lending relationship between Vanquis and Miss S might have been unfair to Miss S 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 Miss S or otherwise treated her 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 and having considered everything, I don't think that Vanquis treated Miss S unfairly or unreasonably. And I'm not upholding this complaint. I appreciate this will be very disappointing for Miss S. 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 Miss S' complaint.

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

Jeshen Narayanan
Ombudsman