

The complaint

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

Mr H is represented by a claims management company 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 H himself.

What happened

Mr H was approved for a Vanquis credit card in February 2016 with a £150 credit limit. I have detailed the credit limit changes below:

September 2019	£150 to £550
February 2020	£550 to £1,500
April 2022	£1,500 to £2,600

Mr H says that Vanquis irresponsibly lent to him, and he made a complaint to Vanquis, who did not uphold his complaint. Vanquis said appropriate checks were made which were proportionate to the amount of credit being granted. Mr H brought his complaint to our service.

Our investigator did not uphold Mr H's complaint. He said that Vanquis made fair lending decisions. Mr H asked for an ombudsman to review his complaint. He said his bank statements should have been requested by Vanquis as it wasn't enough to use the expenditure figures from Vanquis.

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 H, 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 Vanquis credit card - initial credit limit (£150)

I've looked at what checks Vanquis said they did when initially approving Mr H's application. I'll address the credit limit increases later on. Vanquis said they completed a credit check with a Credit Reference Agency (CRA) and information that Mr H had provided before approving his application.

The information showed that Mr H declared he was self-employed, and he declared an annual income of £30,000. The CRA reported no defaults, CCJ's or payday lending on Mr H's credit file. But he had been in arrears on an active account by five months within the 12 months of these checks being completed. So this could be an indication of financial difficulty.

But Mr H had cleared the arrears by the time the initial lending checks had been completed, and he had met his credit commitments for the three months after these arrears. So it appears Mr H's financial situation had improved prior to him applying for the Vanquis credit card. The checks showed that Mr H had total active unsecured balances of £193, and Mr H was not utilising all of the credit limits available to him. The £150 credit limit was 0.5% of his declared gross annual income.

So I'm persuaded that the checks Vanquis carried out were proportionate for the amount of credit they approved for Mr H, and I'm persuaded they made a fair lending decision to approve the initial credit limit.

September 2019 credit limit increase - £150 to £550

I've looked at what checks Vanquis said they did as part of this lending decision. The CRA reported that Mr H had active unsecured balances of £239 at the time they completed their checks. But since the Vanquis account had been opened Mr H had defaulted on credit agreements, with the last default being registered 13 months prior to the lending checks when they increased his credit limit to £550.

It may help to explain here that, while information like a default on someone's credit file may often mean they're not granted further credit – they don't automatically mean that a lender won't offer borrowing. So I've looked at what other checks Vanquis made to see if they made a fair lending decision.

Vanquis would also have been able to see how Mr H used his Vanquis account since account opening. Mr H had incurred a late fee, and he had exceeded his credit limit a number of times since he opened the account. He had also had a number of transactions which incurred a cash transaction fee. So these things could be signs of financial difficulty, or the late payment/exceeding his credit limit could be oversights on Mr H's behalf.

The late payment/exceeding the credit limit does appear to be poor mismanagement of the account as opposed to financial difficulty. I say this because Mr H next made a repayment of £155.85 after the late payment fee was charged to his account. Mr H often exceeded his credit limit as he hadn't taken into account the interest which would be charged to his account. So when interest was applied to his account, this sometimes took him over his credit limit.

I also need to be mindful that making transactions which are classed as cash are a legitimate use of the account. Mr H did not make any transactions which were considered to be cash transactions in the 12 months prior to the credit limit increase. And he incurred no overlimit or late fees in the 12 months prior to this credit limit increase.

It doesn't appear that any of Mr H's active accounts were in arrears at the time of the checks. Mr H had made repayments which were higher than his required minimum repayments (and higher than his credit limit) at times, which I wouldn't expect him to be able to do if he was financially struggling. Mr H wasn't using all of his available credit at the time of the checks.

Vanquis also completed an income and expenditure exercise. They used the declared income from Mr H, which was in line with his original declared income. They also used the

declared housing costs of Mr H. Vanquis did not just use this outgoing to determine Mr H's outgoings as they also used information from the CRA regarding his monthly credit commitments, and they appeared to use a buffer. The expenditure figure Vanquis used was £743.61 higher than what Mr H told Vanquis his outgoings were.

So I'm persuaded that the checks that Vanquis completed were proportionate, and they made a fair lending decision to increase the credit limit here.

February 2020 credit limit increase - £550 to £1,500

I've looked at what checks Vanquis said they did as part of this lending decision. The CRA reported that Mr H had active unsecured balances of £174 at the time they completed their checks, which was lower than at the point of the previous lending checks.

No active accounts were in arrears at the time of the checks, and no active accounts had been in arrears for the six months prior to the checks as reported by the CRA Vanquis used. Vanquis would also have been able to see how Mr H used his Vanquis account since the last credit limit increase.

Mr H had not incurred any late payment fees or overlimit fees since the last lending decision. The data also shows that in the three months prior to his credit limit increase he was making higher repayments than the required minimum payment as he made repayments totalling £454.69 in January 2020, £532.47 in December 2019, and £505.29 in November 2019.

So although Mr H has said Vanquis shouldn't have used their expenditure figures, Mr H had consistently shown that just prior to this credit limit increase he could afford to repay a much higher amount than what he was required to pay. So I wouldn't expect him to be able to make higher repayments if he was struggling financially.

So I'm persuaded that the checks Vanquis completed here were proportionate, and they made a fair lending decision to increase Mr H's credit limit here.

April 2022 credit limit increase - £1,500 to £2,600

I've looked at what checks Vanquis said they did as part of this lending decision. The CRA reported that Mr H had active unsecured balances of £2,261 at the time they completed their checks, which was higher than at the point of the previous lending checks.

Vanquis completed an income and expenditure exercise. They used the declared income from Mr H, which was in line with the last two lending decisions. They also used the declared housing and living costs that Mr H declared. Vanquis did not just use these outgoings to determine Mr H's outgoings as they also used information from the CRA regarding his monthly credit commitments, and they appeared to use a buffer. The expenditure figure Vanquis used was £503.13 higher than what Mr H told Vanquis his outgoings were.

No active accounts were in arrears at the time of the checks, and no active accounts had been in arrears for the six months prior to the checks as reported by the CRA Vanquis used. Vanquis would also have been able to see how Mr H used his Vanquis account since the last credit limit increase.

Mr H had incurred an overlimit fee since the last credit increase. So this could be a sign of financial difficulty. But it also could have been an oversight from Mr H. It does appear on this occasion to be an oversight by Mr H. I say this because it appears that Mr H didn't account for interest being charged which seems to have caused the overlimit fee.

This occurred several months prior to this credit limit increase, and it was the only time Mr H had exceeded his credit limit since the last credit limit increase. Mr H had no late payment fees incurred since the last lending decision, and again, he was generally making higher repayments than what he was required to repay.

So I'm persuaded that the checks Vanquis completed here were proportionate, and they made a fair lending decision to increase Mr H's credit limit here.

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 can't conclude that Vanquis lent irresponsibly to Mr H or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here. So it follows I don't require Vanquis to do anything further.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 1 April 2025.

Gregory Sloanes
Ombudsman