

The complaint

Miss E complains that Vanquis Bank Limited was irresponsible in offering her a loan of £2000. She'd now like the details of this loan removed from her credit file and all interest added to the loan to be refunded. In addition, Miss E is unhappy about a late payment marker put on her credit file by Vanquis and would like this removed.

What happened

In August 2018 Vanquis accepted Miss E's application for a loan of £2000 to be repaid over 3 years. Miss E says that, if Vanquis had carried out proper checks, it would have known the loan wasn't affordable based on her income and her spending at that time. It would have been clear from her bank and credit card statements that she was making frequent payments to gambling sites and that her actual income wasn't enough to support her existing commitments and a new loan.

Miss E said she's had previous financial problems and had been in a debt recovery plan that only ended in April 2018. As such she feels Vanquis should have carried out more detailed checks on her ability to fund this loan. It hadn't and it also hadn't carried out a credit check at the credit reference agencies. She feels this was irresponsible and says the loan made her financial situation worse as she had to borrow from elsewhere to make the payments. She wants all interest added to the loan to be cancelled and details of the loan removed from her credit file.

Miss E also complains about a late payment marker put on her credit file following a missed payment on her Vanquis credit card in June 2018. She says she had a payment set up to make a monthly payment but by mistake, two payments were made in May 2018. She thought this would be carried forward to June and so didn't make a payment that month. She feels it was unfair of Vanquis to put a late payment marker on her credit file for this and would now like it removed.

Vanquis didn't agree with the complaint. It said it had assessed Miss E's loan application on the basis of the information she'd supplied and other information from industry sources. In her application Miss E had said her monthly income was £1,610 and after her expenditure was taken out, this left a disposal income of £561. The loan repayments were £89.40 and, on that basis, it felt they were affordable. It had also obtained a report on her overall credit status that showed that she had no recent defaults, missed payments (other than the one in June 2018) or cash loans and that she had a low outstanding credit balance at that time. Taking this, together with the fact she'd been making payments on her credit card that were much higher than the minimum, it didn't agree the loan had been unaffordable.

It said the late payment marker had been applied in line with the account's terms and conditions. For that reason, it couldn't agree it had made a mistake and, because it was correct, it wasn't able to remove it from Miss E's credit file.

Our investigator didn't uphold the complaint. Based on Miss E's stated income and expenditure and the absence of any adverse credit data, she couldn't say the loan had been unaffordable at the time it was issued. Although she understood that there'd been some

confusion with the payments, that had led to June's credit card payment being missed, she'd seen that the late entry marker had been correctly applied so she wouldn't be asking Vanquis to remove it from Miss E's credit file.

Miss E disagreed and asked for her complaint to be referred to an ombudsman. She said in summary:

- She'd been discharged from bankruptcy in April 2018 and this should have prompted Vanquis to make more enquiries as to her ability to repay any loan but it hadn't done so;
- If it had checked her recent bank and credit card statements, it would have seen that there were an excessive number of gambling transactions on them which should have raised concerns.
- She'd never stated that her income was £41,000 as had been said. Further Vanquis should have checked her income as £1,600 wasn't reasonable for a part time job in a supermarket. It hadn't however asked for wage slips or other verification.
- She'd had to borrow money to pay her Vanquis loan and credit card which had made her financial situation worse.

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.

I can see how strongly Miss E feels about the offer of this loan and the late entry marker on her credit file. However, having reviewed all of the information available, I don't consider Vanquis has acted unreasonably so I won't be asking it to do anything more as I'll now explain.

At the heart of this complaint is the question of whether Vanquis made reasonable enquiries into Miss E's finances before offering her the loan. Vanquis, like all lenders, has to satisfy itself that any borrowing is both affordable and sustainable. There's no precise list of checks that must be made but they have to be reasonable and proportionate to the amount of the borrowing. While it's up to the business to decide in each case what checks it wants to carry out, it's usual to check the borrower's income and expenditure and to look at their overall credit profile to see if there's anything that might suggest the borrowing isn't appropriate. However, it has to be remembered that any checks can only show the position as at that time and won't necessarily show up any problems that might occur in the future.

In this case Vanquis made a number of checks. It asked Miss E to complete an application form providing details of her work and her income. It also asked her to complete an income and expenditure form. And in addition to this it obtained a credit report on Miss E's current credit status and her overall debt. That seems to me to be reasonable.

In the application form, Miss E stated that she had an income of £1,610 and the income and expenditure form suggested she had disposable income of £561 a month. As the loan repayments were £89.40, I don't think there was anything in these to indicate the payments weren't unaffordable.

Vanquis says it also took into account Miss E's credit card application in 2017. This stated she had a personal income of £41,000 and while it seems now that this may have been a

mistake, Vanquis couldn't have known this at the time and I don't think it was unreasonable of Vanquis to take this into account in its assessment.

Miss E feels Vanquis should have asked for copies of her recent payslips. She says, if it had, it would have seen her income was much less than had been stated. However, I've looked at the two payslips Miss E's provided for August 2018 and while one is very low it seems this wasn't a standard month as the total pay for that job over the previous five months was £4,961. The other payslip showed a net monthly income of £645. Those figures also fit with Miss E's email to Vanquis in August 2018 where she said her income was £645 and £847 a month. and on balance, I think they're most likely correct. For that reason, even if Vanquis had asked for actual payslips I'm not satisfied it would have changed its view.

I've seen Vanquis also made enquiries into Miss E's recent credit status which showed no recent defaults or missed payments that would cause concern, no recent cash loans and that she had an overall outstanding credit balance of less than £400. In addition to this I've seen that Vanquis took into account the way Miss E had been managing her Vanquis credit card over recent months and in particular, that she was consistently making monthly payments that were either the full balance outstanding or were significantly higher than the minimum repayments required.

I understand that Miss E feels Vanquis should have carried out a credit reference check which would have shown she'd entered into a debt repayment plan in 2017 that only came to an end in April 2018 and that she'd had a number of defaults previously. In this case it didn't carry out a credit reference check but it had obtained a credit status report which I consider was reasonable.

However even if it had carried out a credit reference check, its not clear that this would have changed its decision. Miss E did have a complex credit history but, as she has said, the debt repayment plan had come to an end in April 2018 and her more recent history didn't suggest any financial problems. A lender has to make its assessment on the information available at the time and it would be unfair for it to focus on past information without also taking into account the more recent history, which in Miss E's case suggested she was managing her finances adequately and wasn't in financial difficulty.

Miss E also explained very clearly why she feels it should have asked for her recent bank and credit card statement which would have shown that she was spending increasing amounts on gambling sites. However, obtaining statement is one of the checks a lender may carry out but it's not required to do so as long as it carries out adequate checks overall. For that reason, although Vanquis didn't ask for statements, I can't reasonably criticise it for not doing so. And because it didn't have the statements it wouldn't have been aware of the pattern of Miss E's spending and couldn't have taken it into account.

Miss E has explained that shortly after taking out this loan she got into financial difficulties. I realise how difficult this must be and I've every sympathy for the position that she now finds herself in. However, for the reasons given, I can't agree that this loan was unaffordable at the time it was offered so I won't be asking Vanquis to refund the interest or remove any adverse information about it from Miss E's credit file. I would hope however that Vanquis will respond positively and sympathetically to Miss E's financial problems to work out a suitable repayment plan.

With regard to the late payment marker, this was applied in line with the terms and conditions of Miss E's credit card account. For that reason, I can't reasonably say Vanquis made a mistake in recording this and because Vanquis hasn't made a mistake, I also can't reasonably direct it to remove the entry from Miss E's credit file.

I realise this isn't the decision Miss E was hoping for but in the circumstances I won't be asking Vanquis to do anything more to resolve this complaint.

My final decision

My final decision is that I don't uphold Miss E's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss E to accept or reject my decision before 87 February 2021.

Cerys Jones
Ombudsman