

The complaint

Mr S complains about Vanquis Bank Limited and their decision to offer him a credit card.

What happened

In late 2017, Mr S applied for a credit card with Vanquis. This application was approved, and Mr S was given a £250 credit limit. This limit has not been increased or decreased since the application was approved.

Mr S stopped making payments to the account in December 2018. So, Vanquis issued a notice of default in April 2019. Mr S's account was also passed to a third-party company but after no further payments were received, the account was passed back to Vanquis.

In March 2020, Mr S raised a complaint with Vanquis. He complained that they'd acted irresponsibly when approving his application for a credit card. And because of this, he'd been forced into further financial difficulty.

Vanquis responded and didn't agree. They felt they'd made the relevant checks and had approved his application fairly. They explained they took into consideration the information already held on Mr S's credit file, including a previous default. And as they aim to provide customers with moderate means fair access to credit, they thought they'd been fair when offering a credit card with a low credit limit. So, they didn't think they needed to do anything more. They also felt they'd been fair when registering Mr S's default and asked him to contact them to arrange a repayment plan. Mr S remained unhappy with this response, so he referred his complaint to us.

Our investigator looked into the complaint and didn't uphold it. She thought Vanquis carried out the necessary checks she'd expect and offered a credit limit that was reasonable given the information they had available. She also thought Vanquis acted fairly when reporting Mr S's default after he stopped making payments. So, she didn't think they needed to do anything more. Mr S didn't agree and asked for the complaint to be escalated but provided no further comments. As Mr S didn't agree, the complaints been passed to me for a decision.

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.

Having done so, I'm not upholding the complaint for broadly the same reasons as the investigator. I've focused my comments on what I think is relevant. If I haven't commented on any specific point, it's because I don't believe it's affected what I think is the right outcome.

First, I want to recognise the impact this complaint has had on Mr S. I've got no doubt it would be stressful and upsetting to find himself in a difficult financial situation. And I can

understand why he would see Vanquis' approval of his credit card application as a factor within that. But for me to say Vanquis have done something wrong, I'd need to see they failed to complete relevant and proportionate checks that ensure Mr S was able to repay the account. Or that they failed to consider information Mr S provided them regarding his financial situation at the time the application was approved. And in this situation, I don't think that's the case.

It's important to note there isn't a set number of checks a lender needs to complete when approving a credit application. I've had to consider whether the checks Vanquis made, and the information these checks returned were reasonable and proportionate to the application they approved, and the limit they provided.

Vanquis have provided me with the information that had available to them when they approved Mr S's application. This included his yearly income, his employment status, his outstanding debts and information from his credit file.

This showed Mr S to have a yearly income of £20,280.00 from full time employment. And it showed he has outstanding debts of £2,000 and a default amount worth £2,400. The information also showed it had been 12 months since the previous default and that there were no county court judgements ("CCJ") registered against him. So, I've considered whether there was enough information here to suggest Mr S was in financial difficulty, or that the application should be declined. And I don't think there was.

Although there was a previous default, I don't think this in itself would be enough for Vanquis to reject the application. The default was registered 12 months beforehand, meaning there was a period of time where Mr S's circumstances could've improved. And as Mr S was now applying for further credit, I think this suggested to Vanquis that this was the case.

In their response to Mr S's complaint, Vanquis explained as a business, they aim to provide customers with moderate means the access to credit where it may not be available elsewhere. So, they explained that information such as previous defaults does not always lead to an automatic decline of an application. But that it's considered as part of a limit that may be approved.

And I've seen that Vanquis offered Mr S a modest credit limit of £250. And this limit was never increased. And after the application was approved, Mr S managed his account reasonably for almost a year with him making payments above and beyond the minimum amount on several occasions. I'm aware Mr S was in financial difficulty at the time, which led to him stopping payments to the account. But I can't see Mr S made Vanquis aware of this. And because of how he managed his account, I don't think there was any information to suggest to Vanquis this was the case. And as Vanquis never attempted to increase Mr S's limit above the original amount, I can't say they did anything wrong that added to his financial difficulties.

So, I think the checks Vanquis made were proportionate and provided them with enough information to make their decision to approve the application with a modest credit limit of £250 was a fair one. And because of this, I don't think they need to do anything more.

I'm also aware Mr S is unhappy with the impact the default Vanquis made has had on his credit file. But Vanquis have a responsibility to report the way Mr S manages his account accurately. And I've seen Mr S cancelled his direct debit and stopped making payments without any warning to Vanquis. And since then, I can't see Mr S has contacted Vanquis to arrange any form of payment plan to clear his outstanding debt. So, I can't say Vanquis acted unfairly when issuing the notice of default and reporting this to the credit reference agencies.

It's good to see Vanquis offered Mr S the chance to contact them to arrange a repayment plan in their final response. As they are aware of Mr S's financial difficulties, I would expect them to act positively and sympathetically towards these circumstances and arrange a repayment plan that is affordable.

My final decision

For the reasons outlined above, I don't uphold Mr S's complaint about Vanquis Bank Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 24 November 2020.

Josh Haskey
Ombudsman