

The complaint

Ms A says that Vanquis Bank Limited (Vanquis) lent to her irresponsibly. She feels adequate checks weren't completed and she was constantly chased for payment. Ms A wants a refund of charges paid, her credit file to be updated and all accounts closed.

What happened

Ms A opened a credit card account with Vanquis in February 2018 with a limit of £500.

Over the course of the next six months, Vanquis sent monthly statements setting out the minimum payments due. There were a number of months where no payments were made by Ms A and this led to Vanquis sending a letter in June and August setting out the arrears outstanding and also asking Ms A to make contact to discuss the missed payments so it could help her with any financial difficulties she might be experiencing. Vanquis sent a Notice of Default to Ms A in July which said any further use of the account wasn't allowed. This set out a deadline for payment and also informed Ms A, if Vanquis didn't receive sufficient payment then it may file a default on the account with the credit reference agencies. Having not received any contact or payments, the account was sold by Vanquis to another company in September 2019.

Ms A complained to Vanquis, she said it didn't carry out adequate checks and so it shouldn't have offered her a credit facility. Vanquis responded and described the checks it carried out and the information it took into account when opening Ms A's account. It took the view it hadn't lent irresponsibly and didn't uphold the complaint.

Our investigator looked into things for Ms A and felt that Vanquis had carried out adequate checks. She felt Vanquis' decision to lend to Ms A was fair. Ms A disagreed so the matter has come 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've decided not to uphold the complaint. I understand Ms A will be disappointed by this but I'll explain why I have made this decision.

We've set out our general approach to complaints about short-term lending - including all of the relevant rules, guidance and good industry practice - on our website.

Vanquis needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should've carried out proportionate checks to make sure that Ms A could repay the credit in a sustainable manner. These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and

the consumer's income and expenditure. With this in mind, in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate.

But certain factors might point to the fact that Vanquis should fairly and reasonably have done more to establish that any lending was sustainable for a consumer. These factors include:

- the lower a customer's income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);
- the higher the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- the greater the number and frequency of loans, and the longer the period of time during which a customer has been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable). There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

The first point I've addressed is whether I think Vanquis carried out reasonable and proportionate checks. Section 5 of the Consumer Credit (CONC) sourcebook in place at the time outlines that the assessment that Vanquis needed to complete should've been dependent on, and proportionate to, a number of factors – including the amount and cost of the credit and the consumer's borrowing history.

Vanquis is free to decide how to set its lending criteria but it should complete proportionate checks to ensure borrowing is sustainable. In this case, I think the checks Vanquis completed were adequate. I've seen that Vanquis used information obtained from a credit reference agency when considering Ms A's application. Vanquis also took into account information Ms A provided in her application, this includes confirmation she is in full-time employment and details of her salary.

I think, given this was at the start of a lending relationship, the checks Vanquis carried out were reasonable in the circumstances. A less detailed affordability assessment, without the need for verification, is far more likely to be fair, reasonable and proportionate where the amount to be repaid is relatively small and the consumer's financial situation is stable. And, I feel that is the case here because the credit offered to Ms A is relatively small when considering the salary and employment status on her application.

I think reasonable and proportionate checks were completed, so I've looked at whether Vanquis made a fair lending decision bearing in mind the information gathered and what it knew about Ms A's circumstances. Vanquis say the information it gathered from a credit reference agency at the time of Ms A's application didn't show any county court judgments and also a low level of non-mortgaged debt. I've seen this information and agree it does record this and also shows there were no other credit cards held. The information from this particular credit reference agency also shows there were no defaults recorded against Ms A at that time. I've seen that Vanquis then gathered information from another credit reference agency a month later and this did record a previously defaulted debt 21 months earlier. Vanquis say, although this wasn't revealed in the search with the first credit reference agency, in view of the time since registration, this would almost certainly not have affected its original decision.

I feel this is a reasonable view for Vanquis to take given the passage of time and there being no other factors to suggest there were any ongoing financial difficulties. On this basis, I think the checks did show that Ms A would be able to sustainably repay the full amount of the credit within a reasonable period of time.

Ms A says she was unemployed when the account was opened, and had been for the previous six years, so she was never in a position to afford it in the first place. Ms A has also provided us with a bank statement showing she was in receipt of income support during the month the account was opened. She also says she hasn't worked for the company listed as her employers, on the application, since 2012. I've looked at the information provided by Ms A on her application and this notes she was in full-time employment. Lenders will often rely on information given by a borrower and where that information isn't in conflict with any other information it holds, the lender may not always carry out verification checks. That does of course depend on the circumstances of each case and, in this case, I don't think it was unreasonable for Vanquis to not carry out further checks given the information it did gather and what that information showed.

I am sorry to hear Ms A feels she was constantly chased for payments. I've seen the credit card agreement signed by Ms A and this does set out the steps Vanquis will take in the event of non-payment. I can't see Vanquis has acted in a manner which is against the terms set out in the agreement. The account fell into arrears so it's reasonable to expect Vanquis to have chased for payment. And, from the information I've seen, I don't think Vanquis did so in a manner which could be considered unfair.

Ms A has told us about her financial situation. We expect lenders to treat consumers, who are experiencing financial difficulty, sympathetically and positively. I feel that has been the case here, Vanquis did write letters to Ms A asking her to get in touch so it could offer help. I can't see Ms A told Vanquis about any financial difficulty so its action in reaching out to Ms A to offer help shows it took proactive steps.

In summary, I don't uphold Ms A's complaint in this matter as I feel Vanquis carried out reasonable checks and made a fair decision to lend.

My final decision

For the reasons I have given, it is my final decision that the complaint is not upheld.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms A to accept or reject my decision before 9 December 2020.

Paviter Dhaddy
Ombudsman