

The complaint

Mr I complains that Vanquis Bank Limited (“Vanquis”) gave him a credit card when he was in financial difficulty.

What happened

Mr I took out a credit card with a credit limit of £250 with Vanquis in March 2019. He says Vanquis acted irresponsibly in providing this facility as he was in financial difficulty at the time.

Vanquis said that it carried out appropriate checks and saw nothing to suggest that Mr I was in financial difficulty, and that it thought Mr I’s difficulties started when he lost his job in mid 2019. It didn’t uphold his complaint.

Mr I was unhappy with this and brought his case to this service.

Our investigator considered the evidence provided by both parties and concluded that Vanquis had carried out proportionate checks in relation to Mr I’s application and had not acted irresponsibly in giving him a credit card with a limit of £250.

Mr I wasn’t happy with this and so the case has come to me to decide.

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.

Mr I complains that Vanquis acted irresponsibly in giving him a credit card. He says he was suffering financial difficulties at the time. In particular, he says that he’d had four short term loans from a company in the same group as Vanquis (which I will call X) which had been taken out, repaid and re-borrowed in quick succession shortly before his application.

He says that he missed payments on his credit card because the borrowing granted was unaffordable.

Before agreeing to give Mr I a credit card, Vanquis was required to assess whether he could afford repayments on the credit limit it was offering.

The Financial Conduct Authority has laid down rules in its handbook (“CONC”) that say what a lender needs to do before granting credit. These rules require the lender to undertake a “*reasonable assessment of the creditworthiness of the customer* “. This includes an assessment of whether the customer is likely to be able to repay the credit limit over a reasonable period of time in a sustainable manner. The customer should be able to repay without having to borrow to do so, or the credit having an adverse effect on their financial situation.

There is no set way to assess creditworthiness, but the assessment should be reasonable and proportionate to the customers circumstances, such as the credit limit, the customer's financial situation and their borrowing history. I am also mindful that Vanquis is a "second chance" lender and offers credit to individuals with a low credit score. This means that having a high level of borrowing, or historic negative lending history wouldn't necessarily mean that Vanquis would decline an application. But it still had to carry out a proportionate assessment.

Vanquis considered information provided by Mr I and a credit reference agency.

Looking at the information provided by Mr I when he applied, he said he had a personal income of £16,000 and was living with his parents. Vanquis assessed his living expenses as £476.67 (the amount declared by Mr I was £350). I can see that Vanquis carried out a credit reference agency search which showed Mr I had a number of loans and credit cards. The information about Mr I showed that his total active non-mortgage debt was £2100 at the time of the application, so although he had a number of loans and cards, his overall debt was relatively low. Vanquis's internal notes state that there were no defaults or county court judgments ("CCJ's"), against Mr I. Vanquis also said that there were no missed payments registered against Mr I's external lines of credit. Taking account of all of this, and the low limit of £250 offered, I am satisfied that Vanquis carried out a proportionate assessment.

I note that Vanquis wasn't able to provide a copy of the search it carried out, but it did provide credit reference agency data for the months immediately after Mr I's application. This showed a picture that was consistent with the position recorded by Vanquis when Mr I applied for his card. For example, in the month after the application, the data showed no defaults or CCJ's, and a current delinquent value of zero, and as such supports the information recorded by Vanquis.

The data also shows one instance of over limit. As the rest of the information Vanquis saw gave it no cause for concern, I can't reasonably say that this should've changed Vanquis's lending decision.

Mr I feels that his recent use of short term loans with X showed that he was in financial difficulty, and that given the group relationship between Vanquis and X, Vanquis should've taken account of this, and not offered him a card. While I can understand that Mr I feels that account information should be shared and used within a group of companies, I note that any current borrowing would've been included in the outstanding debt figure of £2100 provided by the credit reference agency. And, in the light of the information Vanquis already had about Mr I which gave it no cause for concern, I don't think it would've been proportionate for Vanquis to look into Mr I's borrowing history in further detail when considering a low credit limit of £250. So I think was reasonable and proportionate for Vanquis to proceed on the basis of the information it used.

Vanquis says it had no reason to think that Mr I couldn't afford repayments of about £15 that would be due on a fully utilised limit of £250. In line with the CONC requirements I've outlined, I've also thought about whether I've seen anything to suggest Vanquis should've foreseen any difficulty in repaying a balance of £250 over a reasonable period, and I haven't seen anything to suggest this. Accordingly, taking account of everything I've said, I think it was fair and reasonable of Vanquis to offer Mr I a credit limit of £250.

I can see that Mr I missed payments on his credit card between June and August 2019, and that he advised in mid July 2019 that he'd been unemployed. Other than this, from what I can see from information up to July 2020, he made payments as required on his account with Vanquis. On the basis of this information, I think its more likely than not that his missed payments at this time were due to a temporary difficulty.

I note that the short term loans with X that I've referred to, have been the subject of a separate complaint, resulting in redress to Mr I. However, this is a separate matter and the information I have seen doesn't disclose the reason for the redress. So, I can't fairly take account of this in considering this complaint.

In the light of all of this, I don't think Vanquis acted unreasonably or unfairly in giving Mr I a credit card with a limit of £250.

Mr I feels that Vanquis didn't deal with the points he raised in his complaint, and that there were delays in responding to him. I think that Vanquis explained why it didn't uphold Mr I's complaint, and considered his further response, referring to the information that it had taken account of and explaining that it thought its approach was proportionate, and I am satisfied that this was a reasonable response. I note that Vanquis acknowledged a delay in responding to Mr I's email in early August, and apologised for this, which was fair and reasonable, and I don't think it needed to do any more.

In summary, I am not upholding Mr I's complaint. I know Mr I will be disappointed with this, but I hope he understands my reasons.

My final decision

My final decision is that I don't uphold this complaint

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr I to accept or reject my decision before 11 May 2021.

Rosemary Campbell
Ombudsman