

The complaint

Miss P complains about Vanquis Bank Limited and their decision to approve her credit card application.

What happened

In July 2015, Miss B applied for a credit card with Vanquis. This application was approved, and she was provided with a credit limit of £150.

But after the credit card had been given to Miss B, she fell into financial difficulty. She said she had to skip payments on other debts and borrow money from family members to maintain the minimum payments on the card during this time. So, she didn't think the credit card was affordable when Vanquis decided to approve her application. Because of this, she raised a complaint.

Miss B thought Vanquis failed to complete reasonable and proportionate checks to ensure the credit card was affordable to her at the time it was taken out. She explained she had outstanding debt at the time and felt that, if Vanquis had completed reasonable checks, they would've realised this and declined her application. So, she wanted Vanquis to refund the interest charges that had been applied to her account and a further 8% statutory interest.

Vanquis didn't agree. They thought they'd approved the Miss B's application fairly and that the checks they'd made were proportionate. They explained they'd assessed the income information Miss B had provided against her credit file and from this, they thought the £150 credit limit was affordable. So, they didn't think they needed to do anything more. Miss B remained unhappy with this response, so she referred her complaint to us.

Our investigator looked into the complaint and didn't uphold it. He explained the credit limit given to Miss B was low compared to the annual income she declared. So, he thought the checks Vanquis had made at the time were proportionate. And he also thought Vanquis' decision to approve the application was fair based on the information they had available to them at the time. He recognised the credit file Vanquis used didn't report all the outstanding debt Miss B had, but he explained this is because lenders don't always report to each Credit Reference Agency (CRA). And after reviewing another credit file provided by Miss B, he didn't think it provided information that would've meant Vanquis definitely would've declined the application.

He explained Vanquis offered credit to those with lower credit ratings to give them an opportunity to build their rating. And as Miss B's outstanding debts were relatively low, and there were no recent adverse markers on her file, he couldn't say Vanquis acted unfairly or would've definitely changed their decision. So, he didn't think they needed to do anything more.

Miss B didn't agree with this view. She maintained her opinion that Vanquis should've asked to see payslips or bank statements and that if they had, they wouldn't have approved the application. She also didn't think it was fair for Vanquis to target customers with lower credit ratings. As Miss B didn't agree, the complaint has 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 Miss B. I've no doubt Miss B did encounter financial difficulty after the credit application had been approved. And I can appreciate how stressful and upsetting this would've been to handle and rectify. Because of this, I can understand why Miss B would attribute some of this to the credit card, and the decision made by Vanquis. But for me to say Vanquis have done something wrong, I'd need to be satisfied they failed to complete checks that were proportionate to the credit limit they approved. Or if I think the checks were proportionate, I'd need to see Vanquis failed to assess the information these checks produced fairly and reasonably. And in this situation, I don't think that's the case.

The actions lenders such as Vanquis are obliged to take when approving credit applications are set by the Financial Conduct Authority (FCA) in their Consumer Credit Sourcebook (CONC). This explains there isn't a set number of checks a lender has to make before deciding to lend. Instead, it explains the checks must be proportionate to the amount they are lending. So, I've considered whether I think the checks Vanquis made were proportionate.

In this situation, the £150 credit limit Vanquis approved was relatively small compared to the £16,000 annual income Miss B declared. I've seen Vanquis completed a credit check in order to understand Miss B's other financial commitments and outstanding debts and then used this information alongside the information Miss B declared in her application.

The limit Vanquis approved was lower than Miss B's monthly income. And the minimum monthly payment Miss B would be required to make would only be a percentage of the limit. Because of this, I think the checks Vanquis made were proportionate to the limit they approved. I understand Miss B doesn't agree with this and I have considered her comments. But I'd only expect Vanquis to complete further checks, such as proof of payslips or bank statements, if the limit was much higher in comparison to a customer's annual income. So, I don't think they did anything wrong in terms of the number of checks they completed.

I've then considered whether I think Vanquis assessed the information these checks provided fairly and reasonably.

Miss B listed her employment status as employed full time, with an annual income of £16,000. The credit file Vanquis had show one other outstanding account, with a balance of £100. And the credit file showed no defaults or County Court Judgements (CCJ). So, from the information Vanquis had available, Miss B looked as though she was managing her finances well. And the limit of £150 was affordable when considered against Miss B's annual income and her outstanding debts. Because of this, I think Vanquis assessed the information they had available to them fairly, and their decision to lend was reasonable. So, I don't think they need to do anything more.

But I am aware Miss B did have other accounts that hadn't been reported to the CRA Vanquis used. Lenders don't always report credit file information to all CRA's, and it looks as

though this was the case in this instance. But I can't say this was the fault of Vanquis. And I wouldn't have expected Vanquis to have used multiple CRA's when assessing Miss B's credit file. Even so, for completeness, I've thought about whether I think it's likely Vanquis' decision to lend may have been different if they'd have used another CRA to assess Miss B's credit file. And I don't think it would.

Although Miss B's file showed she had a higher amount of outstanding credit, it also showed that in the previous two years before the application, Miss B was managing these accounts well. This is because there had been no recent defaults or CCJ's, or other adverse credit markers. As Vanquis offer credit to customers with a lower credit rating who may not be approved elsewhere, I don't think I can fairly say there was enough information to say Vanquis wouldn't, or shouldn't, have offered the credit. Even though Miss B did have more outstanding debt, the limit Vanquis offered was small and wouldn't have impacted the size of Miss B's debts significantly.

I'm also aware Miss B has referred to credit limit increases, which she ignored. I've seen no evidence to show a credit limit increase was offered. And I've seen from Miss B's statements that no increase was ever applied to the account. So, this isn't something I've considered further.

I understand this isn't the outcome Miss B was hoping for. And I recognise it doesn't help alleviate any financial difficulty she may still find herself in. But I hope this decision goes some way to explaining why the checks Vanquis completed were proportionate, and how Vanquis assessed the information they had at the time of the application fairly.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss P to accept or reject my decision before 5 May 2021.

Josh Haskey
Ombudsman