

The complaint

Miss M complains Vanquis Bank Limited lent to her irresponsibly.

What happened

Miss M opened a credit card account with Vanquis. When Miss M applied for the card, she said that she had a personal income of £30,000 and her residential status was put as living with parents.

Miss M said she had other debts and a low credit score, so she doesn't think Vanquis did enough checks to ensure they were lending to her responsibly.

Miss M raised a complaint to Vanquis. It responded by saying that having checked Miss M's credit file and outstanding debt at the time of application, it offered her a low credit limit of £500, in line with its policies. It confirmed that this limit wasn't increased at any time, and it was satisfied that it carried out enough checks to ensure it was lending responsibly.

Miss M was unhappy with this response and would like Vanquis to refund all interest and charges that she's incurred since the account was open.

The investigator looked at the credit report Miss M had provided. She noted that at the time of applying for the account she had other credit card accounts in place, with relatively small limits. The investigator thought that generally these accounts were being managed well without any late payments, and no accounts had defaulted. There was one credit card with another provider which had either two missed or late payments in 2018, but the investigator didn't think this information should have altered Vanquis' choice to provide lending on its own.

The investigator also reviewed Miss M's bank statements. She noted it was evident that Miss M was reliant on an overdraft facility but also noted she'd kept within the limit in the months leading up to her applying for a Vanquis credit card. She didn't think there was evidence that most of her monthly wage was going towards other financial commitments.

Overall the investigator was satisfied that the checks Vanquis carried out at the time of Miss M's application were proportionate to the credit limit being offered.

Miss M disagrees she says she didn't keep her overdraft within the limit and spent more than her income. She feels that Vanquis should have checked whether she was living with her parents and earning a certain amount. She also thinks it should have checked her income and expenditure. She says it is clear from her bank statements that her expenditure was much more than her income and her current account overdraft was never fully paid off. The only reason she doesn't have a lot of missed payments was – she says - because she kept borrowing more. She thinks the fact she was offered a small credit limit, and this was never increased amounts to Vanquis admitting she was not able to handle money well. She says most of the payments on her current account are for overdrafts/credit cards/ loans.

She feels she is being harassed for payment. Finally, she says the payment freeze on her account was because she is on maternity leave and from last year, she has not been receiving any income at all.

The investigator issued a second view explaining that she wouldn't necessarily expect a business to ask for proof of income and expenditure for a credit card application with a small credit limit. She also notes that the statements Miss M provided show that she had an overdraft limit of £1500 and despite Miss M saying she was always over the limit the investigator could only find one occasion where she exceeded the limit. The investigator also provided details of organisation which support those in debt.

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 am sorry to hear that Miss M has been struggling and feels harassed. I hope she seeks advice from one of the organisations the investigator mentioned to her which support those in debt.

Whilst I don't doubt Miss M is struggling with her debt – particularly as she is no longer earning – that doesn't mean that Vanquis was wrong when it accepted her application for a credit card account and gave her a credit limit of £500. To decide that I need to look at what Vanquis knew at the time and whether it should have asked for more information. Having done so I am satisfied that Vanquis took proportionate checks to ensure that the account was suitable for Miss M. Miss M told it she earned £30,000 a year and lived with her parents. Vanquis carried out a check with a credit reference agency which confirmed no outstanding county court judgments or previously defaulted debt. She did have debt of just under £5,000. Based on this information Vanquis felt it was reasonable to offer a credit limit of £500. I think this was reasonable in the circumstances.

Miss M said Vanquis should have undertaken more checks. Looking at the additional information supplied by Miss M, I can see she did have other credit cards, but they had relatively low balances and were generally being managed well. She also had taken out a small loan relatively recently. The salary paid into her current account varies each month but isn't inconsistent with someone earning £30,000 per year assuming deductions for pensions etc. And looking at the months before her application I can't say that most of her spending looks to be on servicing her debt. There does appear to be quite a lot of discretionary spending by Miss M and so even if she did spend more in a month than she earned she would have scope to reduce spending in a future month. So even with this extra information I don't think Vanquis would have been wrong to offer her the credit card account with the low credit limit.

Going forward I hope that Miss M will engage with Vanquis to discuss her money concerns. I remind Vanquis that it has a duty to respond positively and sympathetically to someone in financial difficulty.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 17 May 2021.

Nicola Wood
Ombudsman