

## **The complaint**

Ms H complains about Vanquis Bank Limited and their decision to approve her application for a credit card.

## **What happened**

Ms H previously held a credit card account with Vanquis, which was defaulted in 2010. The outstanding debt was passed to a debt collection agency.

In early 2020, Ms H received a letter from Vanquis, offering her the chance to apply for another credit card account. Ms H submitted this application in February 2020, and it was approved with a £1,000 credit limit.

Ms H managed her account with Vanquis well until her hours were reduced at work due to COVID-19. Vanquis applied a payment freeze to her account in October 2020, which lasted until February 2021. But Ms H wasn't happy with this, so she raised a complaint.

Ms H complained about Vanquis' decision to approve her credit application. She thought Vanquis had approved it irresponsibly as she thought it was clear she was unable to afford the repayments. She didn't think Vanquis should've offered her the chance to apply for a new credit card, when the one she held with them previously defaulted. She thought her low credit score, and her outstanding debit, showed the account was unaffordable. So, she wanted the interest that had been added to be removed, and the balance reduced by 60% so she could pay the card off in full.

Vanquis didn't agree. They thought they'd made reasonable checks before approving Ms H's application. They explained they'd considered Ms H's income against her monthly outgoings and her existing debt that showed on her credit file. And from this, they thought the £1,000 credit limit was modest and affordable. They recognised Ms H had defaulted on account in the year prior to the application, but they explained they look to offer credit to those with lower credit scores to help customers rebuild them. So, they didn't think this default meant they automatically should've declined the application. And they explained they'd monitored Ms H's use of the card and didn't provide a credit limit increase because of this. So, they didn't think they'd done anything wrong. Ms H remained unhappy with this response, so referred her complaint to us.

Our investigator looked into the complaint and didn't uphold it. He thought Vanquis has completed checks that were proportionate to the limit Ms H was offered before approving the application. And he thought Vanquis decision to lend was fair and reasonable, based on the information they had available to them. He recognised Ms H had defaulted on a previous account with Vanquis but didn't think this meant Vanquis shouldn't have approved the new application as it was more than 10 years ago, and customers financial situations can change. He also didn't think the recent default meant Vanquis should've automatically declined the application. He recognised Ms H found herself in financial difficulty, especially since she'd been made redundant, but he didn't think this was the fault of Vanquis. So, he didn't think they needed to do anything more.

Ms H didn't agree. She explained she was in a constant cycle of debt and because of this, her credit rating was low. She thought Vanquis should've considered this. And she felt if they had, they wouldn't have approved her credit application. She felt Vanquis' decision had left her in greater debt and she maintained her view that this was irresponsible. So, she wanted to the interest to be waived and the outstanding balance reduced so she could pay the account in full and close it. As Ms H 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 caused Ms H. I recognise Ms H finds herself in financial difficulty and has been significantly impacted by COVID-19. Her hours were reduced initially, before being made redundant, and I can appreciate the worry and upset this would've caused. And I want to reassure Ms H I've taken this seriously and considered it at length. Without a stable income, I can understand why Ms H has been unable to meet her minimum monthly payment for her Vanquis credit card. And as this was the last form of credit she received, I can understand why she feels this was provided irresponsibly considering the difficulties she's faced trying to maintain payments.

But for me to say Vanquis approved Ms H's application irresponsibly, and should take action to address this, I'd need to see one of two things. First, I'd need to be satisfied the checks Vanquis completed weren't proportionate to the credit limit Ms H was provided. And if I think they were proportionate, I'd need to be satisfied Vanquis failed to consider the information these checks provided fairly. And in this situation, I don't think that's the case.

I've first thought about whether the checks Vanquis made were proportionate. I've seen Vanquis took into consideration Ms H's monthly income, her living costs, her residential status and her recent credit history. And after doing so, they approved Ms H's application with a credit limit of £1,000. I think these checks were proportionate to the limit they provided, as the limit was less than a month's income for Ms H. The limit itself was relatively modest and I wouldn't have expected them to make any further checks. I'd only expect them to ask for further information if they were looking to provide a much larger credit limit in comparison to Ms H's monthly income. And this wasn't the case.

But as well as the checks being proportionate, I also need to consider whether Vanquis assessed the information these checks provided fairly. I'm aware Ms H doesn't think Vanquis did, as her credit rating was low, and she was in a cycle of debt at the time the application was approved.

I've seen the application Ms H submitted to Vanquis. In this, she declared her monthly income as £1,600 a month, working on a part time basis. She declared her housing costs to be £150 a month, as she was living with her parents. And she declared her total living costs to be £250. I've seen despite this, Vanquis calculated Ms H's living costs to be £438.29, and they based their approval on the higher figure. Based on these figures, from the information Ms H provided, she was left with a disposable income of over £900 a month. So, I think this suggested the credit limit of £1,000 was affordable as the minimum monthly payment would only be a percentage of the total outstanding balance.

But I'm aware Ms H feels she was in a cycle of debt and her credit file should've shown this. I've seen Ms H's credit file, which does show she had defaulted on accounts in the past. And that she had defaulted on one account in the previous year. But I've seen the total value of this default to be £131. And I've seen Ms H had a total of £100 outstanding credit alongside this default. As it had been seven months since Ms H had last defaulted on an account, I think this showed to Vanquis that in the more recent months prior to the application, Ms H was able to manage her accounts well. And that her total outstanding credit was very low. So, I don't think there was any information available to Vanquis that suggest they should automatically decline Ms H's application.

It's important to note that Vanquis purposefully offer credit to those with lower credit ratings. The purpose of this is to allow those who wouldn't usually be able to access credit the opportunity to do so, so they can improve their credit rating. I've listened to the application call Ms H held with Vanquis, where she explained this was exactly her intention. To be able to do this, Vanquis take into account negative credit information and will make allowances for some of it, if they are satisfied the limit they provide should be affordable. Based on the information I've seen, I don't think there was anything to suggest that the account or the credit limit was unaffordable to Ms H at the time it was approved. So, I don't think Vanquis acted unfairly or irresponsibly when approving Ms H's application. And because of this, I don't think they need to do anything more.

That's not to say I don't recognise the difficulty Ms H now finds herself in. It's clear she's been negatively impacted by COVID-19 and her income has been affected by this. This has resulted in Ms H finding herself in financial difficulty. I'd expect Vanquis to act positively and sympathetically to the situation Ms H finds herself in. I've seen they initially offered a payment freeze up until February 2021. If Ms H's circumstances haven't changed, I'd expect Vanquis to explore and explain the options available to Ms H in an attempt to help alleviate her financial situation where possible.

### **My final decision**

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms H to accept or reject my decision before 15 June 2021.

Josh Haskey  
**Ombudsman**