

The complaint

Mrs B complains that Vanquis Bank Limited irresponsibly allowed her to open a credit card account that was unaffordable and that the interest rate was too high.

What happened

Mrs B says she shouldn't have been allowed to open the Vanquis credit card account as it ought to have been clear she was in financial difficulties. She says she had a poor credit record and would like the interest she has paid refunded. She also says the interest rate was too high. Mrs B says the events she complains about took place in March 2018 and that she lost her job.

Vanquis says Mrs B agreed to the account terms and conditions about the interest rate when the account was opened. It says Mrs B managed her account appropriately until she told it about financial difficulties in November 2017. Vanquis says it carried out appropriate checks on the application and on later credit limit increases. It says Mrs B declared an income of £45,000 when the account was opened in 2015 and had no defaults or other adverse information recorded on her credit file.

Mrs B brought her complaint to us and our investigator didn't uphold it. He thought Mrs B had agreed to the interest rate and that Vanquis carried out appropriate credit checks. The investigator thought it likely Mrs B losing her job led to the financial difficulties and that Vanquis had tried to assist her.

Mrs B doesn't accept that view and in summary she says shouldn't have been lent to.

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 have come to the overall view that I don't uphold this complaint. I appreciate Mrs B will be disappointed by my decision.

I'm satisfied that Mrs B, when she opened the account, would have agreed to Vanquis's terms and conditions about the interest rate. So, whilst I appreciate Mrs B says the interest rate was too high, I'm satisfied that she agreed to it and following a Supreme Court case we can't find that an interest rate is too high and so unfair.

I have looked at the information Mrs B gave Vanquis when the account was opened in 2015 and can see that she declared an income of £45,000 and that Vanquis carried out appropriate checks on that application. Lenders should carry out reasonable and proportionate checks on lending applications and those checks will of course vary depending on the type and amount of the lending. I'm satisfied Mrs B applied for a credit facility and was given a relatively modest credit limit of £500. So, I don't think Vanquis made a mistake by approving the application and think it carried out reasonable and proportionate checks. I also think it correctly took into account that Mrs B didn't have adverse information on her

credit file such as a County Court Judgement and the most recent default was some time before the account was opened.

I have also looked at Mrs B's account statements to decide if the credit limit increases were appropriate and if Vanquis carried out appropriate checks. I'm satisfied Vanquis did carry out such checks and was entitled to consider how Mrs B managed her account. I can see she made required payments and, on the whole, managed her account appropriately.

I think that Mrs B's financial position deteriorated when she lost her job and it was at that point that she was unable to manage her Vanquis account. I can't fairly hold Vanquis responsible for that and don't think it could have anticipated that when the account was opened or when it approved the credit limit increases. I think Vanquis tried to assist Mrs B at that point and acted positively and sympathetically. I appreciate Mrs B doesn't complain about that or those actions.

Overall, I'm satisfied that Mrs B's financial position was significantly impacted by the loss of her job and that the original lending and credit limit increases were affordable based on the circumstances at the time. For those reasons I can't fairly order Vanquis refund any interest or charges.

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 Mrs B to accept or reject my decision before 14 June 2021.

David Singh
Ombudsman