

The complaint

Miss H complains about Vanquis Bank Limited and their decision to approve three credit applications which she thinks was irresponsible.

What happened

Miss H applied for three credit cards with Vanquis between 2017 and 2019. All three applications were approved, and she was given a £500 credit limit each time.

But Miss H struggled to maintain payments on these accounts, which resulted in her incurring additional charges and defaulting on one of the accounts. Miss H thought these credit cards had placed her in greater financial difficulty, so she raised a complaint with Vanquis.

Miss H thought Vanquis had approved each of the applications irresponsibly. She thought Vanquis should've recognised she had outstanding debt with utility providers and on her council tax bill at a previous address. And because of this, she thought Vanquis should've recognised the credit cards were unaffordable to her. So, she wanted to be refunded the additional charges and interest these accounts had incurred and have any negative credit information removed from her credit file.

Vanquis responded and upheld Miss H's complaint in part. They agreed they'd unfairly approved Miss H's second and third credit cards, opened in late 2019. They recognised Miss H had previously defaulted on an account and, due to how recent the default had been applied, they agreed they shouldn't have approved the applications. So, they refunded the interest and charges these two accounts incurred and removed them from Miss H's credit file. And they paid Miss H £100 to compensate her for any inconvenience and upset this had caused her.

But they didn't think they'd acted unfairly when approving Miss H's first credit card application in 2017. They thought their checks were proportionate and didn't think there was any information to suggest the credit card was unaffordable at that time. But they thought they'd taken too long to apply the default so backdated it to April 2018. Miss H remained unhappy with this response, so she referred her complaint to us.

Our investigator looked into the complaint and didn't uphold it. He thought Vanquis offer to compensate Miss H for the two accounts opened in 2019 was a fair one, to recognise the impact the accounts had on Miss H. So, he didn't think Vanquis needed to do anything more for these.

And he thought the checks Vanquis completed for the first account were proportionate and didn't think Vanquis had assessed the information these checks provided unfairly. So, he didn't think Vanquis needed to do anything more.

Miss H didn't agree. She thought her outstanding debts made it obvious to Vanquis that the first card wasn't affordable. She said she'd been looking after her child who was suffering with ill health at the time and had to rely on benefits at the time the account was taken out.

So, she maintained her view that the credit card application had been approved irresponsibly and wanted to be compensated for this. As Miss 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 Miss H. I can understand how worrying it would've been for Miss H when she found herself in financial difficulty and was unable to maintain the credit card payments. And I can appreciate her concern at how the default placed on her credit file may impact her ability to secure credit in the future. So, I understand why Miss H would look at the applications Vanquis approved and hold them blame for the circumstances she'd had to go through.

Vanquis have already accepted their decision to approve two accounts in late 2019 was unfair. And they've refunded any charges and interest Miss H incurred, as well as removing the accounts from Miss H's credit file. And they offered Miss H £100 to recognise their error. I think this offer is a fair one, which places Miss H back in the position she would've been had the applications not been approved. As Miss H had the benefit of the credit limit, I would always have expected Miss H to pay the amount she used back to Vanquis. But she's not had to pay interest on this amount and there is no record of the lending on her credit file. So, I haven't considered these accounts any further as I think Vanquis had provided a reasonable offer. It is Miss H's decision whether she wishes to accept £100, that hasn't yet been paid.

But for me to say Vanquis acted unfairly when providing Miss H her first credit card, I'd need to see one of two things. Either, that the checks Vanquis made when approving the application weren't proportionate to the credit limit they offered. Or, that Vanquis failed to assess the information these checks provide fairly. And in this situation, I don't think that's the case.

I've seen the details of the application Miss H made in 2017. Within this, Miss H declared her annual household income as £30,000 before tax. And in the application call, Miss H confirmed her rent as £850 per month, confirmed she received no grants or benefits and that she didn't expect her situation to change in the immediate future. And I've seen Vanquis also completed a check on Miss H's credit file. So, Vanquis confirmed Miss H's available income, residential status and outstanding debt before approving a credit limit of £500. I think this limit is relatively small compared to the available household income Miss H declared. And I wouldn't have expected Vanquis to conduct any further checks, such as income and expenditure, as the maximum monthly payment Miss H would be asked to pay would be small compared to the income that she had available. So, I'm satisfied the checks Vanquis completed were proportionate.

But I've also thought about whether Vanquis assessed the information these checks provided fairly. Miss H doesn't think Vanquis did this, due to outstanding debt she held and the way she'd maintained her utility bill accounts.

But I've seen the credit file information Vanquis considered when approving Miss H's first application. I agree it shows Miss H had outstanding debt of £2,200. But, crucially, Miss H had no other outstanding credit card and her file report no CCJ's or defaults. So, I think this showed Miss H had been able to maintain the outstanding debt she had in a reasonable manner.

I understand Miss H may have made late payments to her utility providers and why she thinks this should've led Vanquis to decline the application. But Vanquis are a business that purposefully provide credit to customers who may have lower credit scores, to allow them to improve their credit ratings. So, this means they allow for some negative credit file information to be reported without the applications being automatically declined. And in this situation, Miss H had no credit card accounts. And the value of her outstanding debt was relatively low, compared to the household income that was available. And Miss H herself confirmed she didn't expect her situation to change in the immediate future. So, I don't think I've seen anything to convince me that the credit card was unaffordable, based on the information Vanquis had available. And because of this, I can't say Vanquis have acted unfairly.

I've also thought about the comments Miss H provided to our investigators view. Miss H has said her child was suffering with ill health and she was relying on benefits at the time the application was approved. And this should've been considered by Vanquis. But I've listened to the application call between Miss H and Vanquis. And on this call, Vanquis asked Miss H if she received any grants or benefits. And Miss H said she didn't. They also asked Miss H if she had any further information she thought should be considered. Miss H didn't provide anything further. So, I don't think Vanquis could've known about Miss H's child, or the benefits she was relying upon, so I can't say they acted unfairly when not considering this information before approving the application.

I understand this isn't the outcome Miss H was hoping for. And I recognise this means the first defaulted account will remain on her credit file, which I can appreciate will be worrying and potentially limiting to Miss H in the near future. But Vanquis have a duty to report the way customers manage their accounts accurately. And as I think Vanquis approved the credit card application fairly, I'm unable to say the default should be removed as this accurately represents Miss H's management of the account and allows future credit providers to fairly decide the risk of future lending.

But I am aware Vanquis have offered to backdate the default, so it's registered on Miss H's file sooner. This means that it will take a shorter amount of time for the default to no longer be recorded on Miss H's credit file. I think this was a fair offer for Vanquis to make, when they recognised they hadn't reported the default in a reasonable amount of time.

My final decision

For the reasons outlined above, I don't uphold Miss 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 19 July 2021.

Josh Haskey
Ombudsman