

The complaint

Mr W says Vanquis Bank Limited acted irresponsibly when providing him with a credit card in 2009.

What happened

In January 2009 Mr W applied for a credit card with Vanquis. His application was approved with a limit of £250. The account defaulted in 2011 and was subsequently sold to a debt collection agency.

Mr W complained to Vanquis in 2019 about the lending. He said at the point his application was granted he had many pay day loans, had defaulted on repayments and had numerous CCJ's showing on his credit file. So he thought Vanquis acted irresponsibly in agreeing to this credit card application.

Initially our investigator thought the complaint had been brought too late. However, another ombudsman subsequently concluded in a decision this was a complaint we could consider. The complaint was reviewed by a different investigator who noted that there was only very limited information from when the credit was agreed and Vanquis hadn't been able to say what checks took place before this was done. But looking at the available evidence she thought if reasonable and proportionate checks had been carried out the application would have been agreed. So she didn't think Vanquis had done anything wrong.

Mr W didn't agree. He said the nature of this credit card meant it was only going to be marketed to consumers who were already in financial difficulties. He believed the evidence showed he was in a debt cycle at the time and the lenders of the payday loans he'd taken out at the time had accepted their lending had been irresponsible. So I need to reach a final 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.

Lenders have an obligation to lend responsibly. And though the rules on lending have changed over the years all the rules and guidance refer to any checks being reasonable and proportionate. Those checks will therefore vary depending on the type and amount of lending though our view is that they need to take into account a consumer's personal circumstances.

In this case Vanquis hasn't been able to say what checks were carried out because of the time that has passed. And given it's now twelve years since that decision was taken I don't think it's unreasonable it isn't able to provide further information on this. But that does mean the available evidence about it's lending decision is now very limited.

So like our investigator I've thought about what reasonable and proportionate checks would have been and what those are likely to have shown if they were carried out. Mr W says that a credit card account like this would only be of interest to someone who was already in

financial difficulties and it was therefore directed at people who already had a poor credit rating. I think it's fair to say that Vanquis' business model means it will often offer credit to individuals who might struggle to obtain that elsewhere. Given that it is likely to accept some applications that other lenders might decline on the basis of poor financial behaviour in the past.

But the obligation to lend responsibly remains. Thinking about how that applies in this case I'm mindful of the fact that while the credit card had a relatively high interest rate the credit limit was low at £250. And I can see that in his internet application for the credit Mr W said he owned his own property, his income was £40,000 and he was in a full time job with a well known and reputable employer.

Mr W told us he had County Court Judgements (CCJ's) against his name at the time. We asked him for further evidence of this but because of the passage of time he hasn't been able to provide anything more. I understand why that is but it does make it difficult for me to conclude these CCJ's were in place at the time of his application and so are something that Vanquis should have taken into account as part of reasonable and proportionate checks on his application. Nor have I seen evidence of what Mr W's credit file showed at the time.

Mr W has said at the point of application he had numerous active pay day loans. However, the evidence he's provided for one of the businesses involved shows these were taken out after he applied for this credit card. And while the evidence from a different payday lender indicates he had loans with it at the time of his application I don't think the fact he was making use of short term lending shows in itself this credit card was unaffordable for him. I also note that while the payday lender in question has accepted some of these loans were lent irresponsibly that isn't the case for those loans that coincided with his credit card application – and Mr W appears to have accepted this outcome.

I accept the bank statement Mr W has provided does indicate he was engaged in some gambling activity. But I'm not persuaded that as part of carrying out reasonable and proportionate checks on his credit card application Vanquis should have asked to see statements – given what I've already said about the relatively low level of borrowing he was applying for and the other information it had about his financial situation. And I haven't seen anything to show Mr W made it aware of any issue here.

Overall, while I can't say what checks Vanquis carried out when Mr W applied for his credit card, based on the information that would have reasonably been obtained by appropriate checks at the time I can't say this lending was unaffordable for him.

My final decision

I've decided not to uphold this complaint. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 29 November 2021.

James Park
Ombudsman