

The complaint

Mr A complains that Vanquis Bank Limited (Vanquis) lent to him irresponsibly.

What happened

In September 2015, Mr A applied for a credit card from Vanquis. It was agreed with a limit of £250. This was unchanged. In September 2018, the debt was passed to a debt collection agency to collect payments. In January 2021, Vanquis agreed a payment plan of £1 per month.

Mr A complained that he shouldn't have been given the card. He had taken out £40,000 of loans with a payday lender between 2012 and 2017. There were three new payday loans of £1,000 taken out in the two months before the application to Vanquis. There were also two other cards agreed from other lenders just before the application to Vanquis. At the time, his salary was £1,530 a month and basic outgoings were £900. By January 2016, he was paying £1,700 a month on credit cards and loans. He said the interest and charges on the Vanquis card should be refunded, plus 8% interest, and default markers be removed from his credit file.

Vanquis said they'd carried out proportionate checks for a modest limit of £250. In his application, Mr A said he was earning £23,000 per annum. His credit file showed no outstanding CCJs. There was a prior defaulted debt – but that was almost four years before. Other debts were only £100. They hadn't offered an increase in the limit.

Mr A brought his complaint to us. Our investigator said Vanquis hadn't carried out sufficient checks. Mr A's bank statements showed payments to payday lenders. And his credit file showed previous payments to payday lenders – sometimes up to £400 per month. His credit file showed eight hard searches for credit in the last six months. This showed he was relying on short term credit and Vanquis should've asked more questions before agreeing to the credit card.

Vanquis didn't agree and asked that Mr A's complaint be looked at by an ombudsman.

I reached a provisional decision where I said:

All lenders have an obligation to lend money responsibly. We must check whether Vanquis acted in line within the Financial Conduct's (FCA) rules on creditworthiness assessment as set out in its handbook, (CONC) section 5.2. These say that a firm must undertake a reasonable assessment of creditworthiness, considering both the risk to it of the customer not making the repayments, as well as the risk to the customer of not being able to make repayments. We look at:

- Whether the lender completed reasonable and proportionate checks to satisfy itself that the borrower would be able to repay any credit in a sustainable way?
- If reasonable and proportionate checks were completed, did the lender make a fair lending decision made bearing in mind the information gathered and what the lender knew about the borrower's circumstances?

- And a reasonable and proportionate check would usually need to be *more* thorough:
 - the lower a customer's income, and the higher amount to be repaid.
 - the greater the number of loans and frequency of loans.
 - the longer the term of the loans

The important thing to consider here is that a lender must make proportionate checks – considering the amount of credit being put in place. Here, Mr A applied for a limit of £250 – a very modest limit. And so, the risk to Vanquis of Mr A not making the repayments was low. So, I must consider the checks made by Vanquis in the light of that. And I think they acted fairly and reasonably.

Mr A's application said he earned £23,000 a year and had other debts of only £100. Vanquis could see he had defaulted on a debt of £1,800 – but that was 42 months previously, so a long time before. There were no county court judgements. So that all looked OK.

I've looked Mr A's credit file that he sent to us. This does show there were two payday loans taken out in April 2015 (£422) and then in September 2015 (£208). These weren't big commitments. I could also see there were three payday loans taken out in 2014, totalling £3,047. But these had been repaid without any problems being shown – so they could be seen as Mr A repaying his loans successfully – this would be a positive factor. I can also see that Mr A took out another credit card from another lender in April 2015 with a limit of £200 – this also was a modest limit. He also took out a further card from another lender in September 2015 with a limit of £600 – and this then increased to £1,600 in January 2016, and thereafter to £2,800. Vanquis haven't said they saw this at the time of Mr A's application to them – I suspect this is because credit files typically take several weeks to update.

I looked at the credit file that Vanquis would've seen – from another credit reference agency. This shows the other credit card with a limit of £200 – but not the prior payday loans. In all fairness, we can't expect Vanquis to make a judgement based on information they didn't have. An even if they had seen the three payday loans of £3,047, I don't think it would've made a difference to their decision to give a card to Mr A – with a low limit of £250.

Looking at the reports from both credit reference agencies, I can see a lot of payday loans were taken out from 2016 onwards. In 2016 to 2018, there were 24 payday loans taken out. It looks like most were repaid OK. But – it looks to me that Mr A's problems arose well after he applied for the card from Vanquis. Obviously, we can't expect Vanquis to have known about those at the time the card was agreed in September 2015.

Our investigator said that Mr A's bank statements showed he was paying other lenders – and they do. But, given what they saw on Mr A's application and his credit file, I don't think Vanquis had to be concerned enough to ask for Mr A's statements. And – it wouldn't have been proportionate to do so, given the limit was only £250.

Our investigator said that he could see that there were eight searches made by Mr A in the six months before September 2015. I agree that's the case – but equally, this could've been Mr A simply searching round for good deals, rather than anything else – what matters is what debt he actually took out. So – I don't think that's very relevant here.

So – in all the circumstances, I don't think Vanquis acted irresponsibly and carried out the necessary and proportionate checks when they So, my provisional decision is that I won't be asking them to do anymore here.

Responses to the provisional decision:

Neither Mr A or Vanquis made any comments.

So – I now need to make 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.

Because neither Mr A or Vanquis had any comments to make, I won't be departing from my provisional decision and for the reasons I gave in it. So – I am not upholding Mr A's complaint.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 11 October 2021.

Martin Lord
Ombudsman