

## **The complaint**

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

## **What happened**

Mr B applied for a credit card from Vanquis in November 2018. It was agreed with a limit of £250. In May 2020, the debt was sold to a debt collection agency.

Mr B complained. He said he's given the wrong information about his income on the application form. He said Vanquis didn't do enough checks on his situation when they agreed to issue the card. He wants the debt written off, the defaults removed from his credit file and interest and fees refunded.

Vanquis said Mr B passed their credit checks. Mr B had told them his income was £23,920 per annum – they could only go on the information he told them at the time. At the time of his application, they could see that he had one defaulted debt – but that was 44 months before. He had other borrowing of £2,300. So – they agreed to the card with a modest limit of £250.

Mr B brought his complaint to us. Our investigator said Mr B had declared his income to be £23,920, with household income of £27,500. Vanquis could see from his credit records that Mr B had other debts of £2,300. There was a defaulted debt of £200 – but that was in March 2015, a long time before. Vanquis had provided information which showed that one month after Mr B applied for the card – in December 2018 – his other debts had gone up to £5,665. So, it looked like Mr B problems started after the card was given to him by Vanquis. This was confirmed by Mr B's credit file – which showed that he took out more borrowing in December 2018 and into 2019. Considering the modest limit of £250, he considered that Vanquis acted fairly.

Mr B asked that his complaint be looked at by an ombudsman.

## **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.

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

It's important to note that the checks must be proportionate to the amount being lent – so the higher the amount, the greater the checks must be, and the lower the amount, then fewer checks can be made.

In Mr B's case, he was given a limit of £250 – I consider this to be a modest amount of debt, and so the checks that we'd expect Vanquis to have completed could be less than if he had a much higher limit.

I've seen Mr B's application – he declared he had annual income of £23,920 and household income of £27,500. He told us this wasn't the case – and showed us his bank statements which didn't show any such income. But – Vanquis could only go on what they were told at the time by Mr B – I don't think anything they saw would mean they should've asked to see Mr B's bank statements or proof of income, especially for the modest limit of £250. The application also said Mr B lived with his parents – which suggested his outgoings were fairly low.

Vanquis could see he had other debts of £2,300 with seven lenders at the time. He'd had a default of £200 – but 44 months before. So – this was OK. I can see that by December 2018, his other debts had increased to £5,665 – and by April 2020, they were £8,100, with 23 lenders. So – it does look as though his problems started to get much worse after he took the card from Vanquis. And – I can't expect Vanquis to have known that at the time of Mr B's application in November 2018.

I can see that Mr B's problems with Vanquis started almost straight away after he was given the card – with missed payments and over limit charges. His debt was sold to a debt collection agency in May 2020. But based on what Vanquis could see of his circumstances in November 2018, and what Mr B told them – I don't think they lent to him irresponsibly. And so – I won't be asking them to do anymore here.

### **My final decision**

I do not uphold this complaint. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 5 November 2021.

Martin Lord  
**Ombudsman**