

The complaint

Miss A complains that Vanquis Bank Limited lent irresponsibly when it approved her credit card application.

What happened

In August 2015 Miss A applied for a Vanquis credit card. Miss A's application said she was living with parents, employed and earning around £36,500. Vanquis carried out a credit search and says it didn't find any adverse credit. Vanquis found Miss A owed around £1,100 at the time of her application.

Vanquis approved a credit limit of £150. Miss A used the credit card until October 2017 when the balance was cleared. Miss A missed a couple of payments in the months before her balance was cleared and the credit card closed.

Miss A complained and Vanquis responded on 8 January 2021. Vanquis didn't agree it had lent irresponsibly and said its decision to approve a £150 credit limit was in line with its lending criteria.

Miss A referred her complaint to this service and it was passed to an investigator. They didn't agree Vanquis had lent irresponsibly and didn't uphold Miss A's complaint. As Miss A didn't agree, her complaint has been passed to me to make 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.

Before a business agrees to lend, it should take reasonable steps to ensure it does so in a responsible way. There's no set list of checks a lender has to complete. In practice, this means businesses should ensure proportionate checks are carried out to make sure the customer can afford to repay the borrowing in a sustainable way. These checks should take into account various factors, like the amount being lent, the costs to the borrower each month, credit history and the consumer's income and outgoings. As the relationship between lender and borrower progresses, the business may need to consider carrying out more comprehensive checks to ensure the borrower can afford repayments in a sustainable way.

In this case, Vanquis says it took Miss A's residential status, employment and income into account. Vanquis also carried out a credit search that didn't find any adverse credit information. The credit file showed Miss A owed around £1,100 at the time of her application. Vanquis says it applied its lending criteria and approved a credit limit of £150. I've looked at the information Miss A provided in her application and didn't see anything that should've caused Vanquis to query the details provided.

Miss A has told us she had two defaults in 2012 and another at the start of 2015. I've looked at the application information provided by Vanquis and it doesn't show any defaults. Miss A

forwarded a copy of her credit file but it doesn't go back to 2012 so I can't see the first two defaults she's told us about.

Miss A's credit file shows a loan default dated January 2015. But not all lenders report to every credit reference agency. It also appears that the business reporting the default from January 2015 didn't acquire Miss A's debt until 2016, which is why the account start date is after the default date. I think the business currently reporting the January 2015 default purchased it from the original lender after the account had already been defaulted. I can't see any information relating to a default in the credit file information Vanquis obtained and I don't think it was aware of it when Miss A applied.

I also think it's reasonable to note that Vanquis approved a £150 credit limit and whilst there were some arrears, Miss A didn't default – the balance was repaid in full.

Overall, I'm satisfied Vanquis did complete proportionate checks and its decision to approve Miss A's credit card was reasonable. As I'm satisfied Vanquis dealt with Miss A's complaint fairly, I'm not telling it to do anything else.

My final decision

My decision is that I don't uphold Miss A's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 23 December 2021.

Marco Manente
Ombudsman