

## **The complaint**

Mr C complains that Vanquis Bank Limited acted irresponsibly by giving him a credit card when he couldn't afford to make the repayments.

## **What happened**

On 11 December 2017 Mr C applied for a credit card from Vanquis. They approved his application, giving him a credit limit of £500.

Mr C complained to Vanquis that they'd acted irresponsibly by giving him this credit card. But Vanquis said they'd done nothing wrong. They were satisfied that they'd carried out appropriate checks before approving the application.

Mr C complained to our service that Vanquis should have carried out more detailed checks before giving him credit. He thought they should have looked at the type of lending he'd been applying for, instead of just the amount. He said that, if they'd done this, they'd have seen that he was struggling with his finances. He felt they'd taken advantage of his vulnerability as someone who was young and inexperienced. He told us that the debts he accumulated had a serious effect on his mental health.

Our investigator didn't uphold Mr C's complaint. He was satisfied that the checks Vanquis had carried out were reasonable and proportionate for the amount of credit they were offering. He noted that Mr C's full credit report showed that he'd made a number of applications for credit in the months before the application to Vanquis, some of which were pay day loans. But he said he hadn't seen any evidence to suggest Vanquis had seen this level of detail about Mr C's borrowing. And he didn't think they'd acted unreasonably by approving the application based on the amount of information they'd seen.

Mr C disagreed with our investigator's view, so the case has come 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.

The Financial Conduct Authority (FCA) sets out rules and guidance for lenders to follow – these can be found in the Consumer Credit Sourcebook (CONC). I've reviewed what this required Vanquis to do at the time of Mr C's application.

Before giving Mr C a credit card, Vanquis were required to carry out a creditworthiness assessment. This meant making reasonable and proportionate checks to satisfy themselves that he'd be able to repay the credit in a sustainable way. These checks weren't just about how likely it was that Vanquis would get their money back – they had to focus on whether the repayments would adversely affect Mr C's financial situation.

There was no set list of checks that had to be carried out, but Vanquis had to make sure the checks they completed were proportionate in the circumstances. The CONC guidance listed

a number of factors that might affect how extensive these checks needed to be, such as the type and amount of credit, the customer's financial position, their credit history and other financial commitments.

Vanquis have provided evidence showing that they asked questions about Mr C's income during his application. I've seen that Mr C declared that he was employed, with a personal annual income of £17,500. He explained that he lived with his mum and dad, but he didn't know what the household income was. Vanquis have told us they also checked credit reference agency information. This showed Mr C had a total of seven active accounts with other financial businesses, with a total outstanding balance of £1,200. It showed he had no defaults or county court judgments (CCJs) reported against him.

I'm satisfied that these were reasonable and proportionate checks in the circumstances. I've gone on to consider whether these checks revealed anything that should have given Vanquis cause for concern that granting Mr C a credit card with a £500 credit limit would adversely affect his financial situation.

The evidence I've seen shows that Mr C's existing borrowing was relatively low in comparison to the salary he declared in his application. Mr C told Vanquis he was living with his parents, paying £200 per month rent. So, I think it was reasonable for them to assume his monthly living costs to be relatively low. The credit reference agency data gave no indication that Mr C had previously been unable to make the required payments on other accounts. For these reasons, I don't find Vanquis to have acted irresponsibly or unfairly by approving his application.

Mr C has shown us a copy of his full credit file. This shows that he'd applied for a number of loans, pay day loans and credit cards between March and December 2017. He feels strongly that Vanquis should have looked into the number of times he'd applied for further borrowing and the type of lenders he was using. I've given careful thought to this point.

CONC rules required Vanquis to ensure they based their creditworthiness assessment on sufficient information from the customer and, where necessary, a credit reference agency. Although it listed a number of factors that might be relevant to how extensive their checks needed to be, the CONC guidance made it clear that it's likely to be disproportionate for a firm to consider all of these factors in all cases. It said they should consider what's appropriate in the circumstances.

Vanquis have explained that, in 2017, the credit reference agency information they obtained didn't show whether Mr C's other accounts were pay day loans. I have to bear in mind the personal income Mr C had declared in his application and the relatively low amount of credit Vanquis provided. In those circumstances I'm not persuaded that they should have carried out more in-depth checks, such as asking for a more detailed credit report. So, I don't find Vanquis to have done anything wrong here.

### **My final decision**

Although I realise this isn't the outcome Mr C is hoping for, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 8 February 2022.

Corinne Brown

**Ombudsman**