

## **The complaint**

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

## **What happened**

Mr B applied for a Vanquis credit card on 30 December 2017. His account was opened on 1 January 2018 with a £500 credit limit.

Mr B says he struggled to make the repayments as the credit limit was too high. He said Vanquis didn't complete sufficient checks when accepting the application as he previously had defaults and County Court Judgements (CCJ's). He complained to Vanquis and said that the lending was irresponsible.

Vanquis did not uphold Mr B's complaint. They said that Mr B told them he was employed with a salary of £18,500. Vanquis saw that Mr B had a total of unsecured borrowings elsewhere of £200. Vanquis said they had seen the CCJ's and the defaulted debt, but the latest of these were registered 7 months and 21 months prior to his application.

Mr B brought his complaint to our service. Our investigator did not uphold his complaint. Our investigator said he had noticed from Mr B's credit file that he had recently taken out a payday loan and this data may not have been available to Vanquis at the time of the application. He said that even with the payday loan, he wouldn't consider Mr B's £500 credit limit to be unaffordable based on Mr B's salary and external debt at the time of the application. Our investigator also noted that Vanquis had seen Mr B's adverse credit data, but they considered the £500 credit limit for Mr B as affordable.

Mr B asked for an Ombudsman to review his complaint. He said his outgoings at the time were causing him to struggle which meant he had to borrow from family and friends and he took on other unsecured debt. He said the credit limit was not affordable for him and that's why he was mostly at or over his credit limit from the opening of his account, often having to pay extra charges each month.

As my findings differed in some respects from our investigator's, I issued a provisional decision to give both parties the opportunity to consider things further. This is set out below:

*"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.*

*Before agreeing to approve or increase the credit available to Mr B, Vanquis needed to make proportionate checks to determine whether the credit was affordable and sustainable for him. There's no prescribed list of checks a lender should make. But the kind of things I expect lenders to consider include - but are not limited to: the type and amount of credit, the borrower's income and credit history, the amount and frequency of repayments, as well as the consumer's personal circumstances.*

*I've looked at what checks Vanquis said they did prior to accepting Mr B's application. They said at the time of applying for the credit card, they considered the information that Mr B had*

gave them, such as being employed, earning a salary of £18,500 and they looked at his credit file. Vanquis said that Mr B's credit file showed he had external unsecured outstanding debt of £200.

*But that's not all the credit file showed. It showed that Mr B had defaulted in the past and had CCJ's, but this was between 7-21 months ago when these were applied. So Vanquis would have been aware that Mr B had previously not maintained his agreements. But the data also showed he had no accounts in arrears, no repayment plans and that the adverse credit data was at least six months old.*

*So I've considered if the checks that Vanquis carried out were proportionate to the level of credit that Mr B was given. And despite the credit limit not being high in relation to Mr B's salary, I'm persuaded there are other factors which should have persuaded Vanquis to make further checks and I'll explain why below.*

*Mr B had previously taken a payday loan just two months before he applied for the Vanquis credit card for £450. And he took another payday loan in the month he applied for the Vanquis card for £450 and later in the month took a payday loan for £1,750. Around the same time he also applied for - and was accepted for a third party credit card, which was opened on the same day as Mr B's Vanquis credit card. And he was accepted for third party finance in December 2017 for £1,405.*

*While Mr B's credit file may have not shown the unsecured borrowing yet, I'm persuaded that there was information available to Vanquis which should have prompted them to make further checks with Mr B. I say this as Mr B had a CCJ within seven months of his application. Given that the amount of the CCJ wasn't high (£1,600), this could indicate that Mr B would struggle to pay back even a modest credit limit, such as the £500 credit limit which Vanquis approved for Mr B. And he had defaulted on an agreement only 14 months prior to the CCJ's, which suggests that his financial situation wasn't improving. So for this reason, I'm persuaded that as part of a proportionate check, Vanquis should have requested information from Mr B to discuss his finances, for example, one of the things they could have requested were his recent bank statements to validate Mr B's income and expenditure.*

*I asked Mr B if he would provide his bank statements so I could see how he managed his money at the time. Mr B's bank statements show that between 1 October 2017 and 31 December 2017, that he borrowed credit with third party companies on three separate occasions and he appeared to borrow money from friends, as he had previously told us. Shortly before he applied for the Vanquis credit card he had a returned direct debit on his bank account and his statements indicate that he had to borrow money from one month to the next to meet his commitments.*

*So I'm satisfied from the information I've seen here that Mr B could not afford his commitments prior to Vanquis accepting him for the credit card without him borrowing to do so. In my view, this was unaffordable for Mr B. If Vanquis had asked for details of his outgoings/bank statements as part of a proportionate check when considering his application, then I'm persuaded they would have seen the payments on the credit card would not have been sustainable or affordable and I'm satisfied they wouldn't have accepted his application for the Vanquis credit card, based on someone who was clearly struggling to meet his commitments and borrowing from multiple sources just to do so.*

*So, I intend to ask Vanquis to remove all interest and charges applied to the account and recalculate what (if anything) Mr B owes from the initial amount he borrowed (taking account of any payments he's made). As I'm persuaded that had Vanquis completed further checks which were proportionate to his individual circumstances, they wouldn't have lent to him. They should also remove any adverse information from Mr B's credit file relating to the*

*Vanquis credit card.”*

I invited both parties to let me have any further submissions before I reached a final decision. Vanquis had no further comments in response to my provisional decision. Mr B accepted my provisional 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.

As neither party presented me with any further information to consider, then my final decision and reasoning remains the same as in my provisional decision.

### **Putting things right**

In my provisional decision I said I intended to ask Vanquis to refund all interest and charges applied to the account from the date the account was opened to the date of settlement. If this results in a credit balance, refund that credit balance to Mr B, and add 8% simple interest per year from the date the credit card would have first gone into a credit balance to the date of settlement and to remove any adverse entries on Mr B's credit file relating to his Vanquis credit card. I'm still satisfied this is a fair outcome for the reasons given previously.

### **My final decision**

I uphold the complaint. Vanquis Bank Limited should:

Refund all interest and charges applied to the account from the date the account was opened to the date of settlement;

If this results in a credit balance, refund that credit balance to Mr B, and add 8% simple interest per year from the date the credit card would have first gone into a credit balance to the date of settlement;

Remove any adverse entries on Mr B's credit file relating to his Vanquis credit card.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 4 February 2022.

Gregory Sloanes  
**Ombudsman**