

## **The complaint**

Mr F is unhappy that Vanquis Bank Limited approved him for a credit account which he feels wasn't affordable for him at that time.

## **What happened**

Mr F applied for a Vanquis credit account in November 2016. Mr F's application was successful, and Vanquis provided him with a credit account with a credit limit of £150.

In 2021, Mr F raised a complaint with Vanquis on the basis that he felt that he hadn't been able to afford the credit account that Vanquis approved him for in 2016, and that this should have been evident to Vanquis, had they undertaken checks into his financial position before approving his application.

Vanquis looked at Mr F's complaint. They confirmed they had undertaken checks into Mr F's financial position before approving his application, and they felt there'd been nothing resulting from those checks that should have reasonably given them cause to suspect that Mr F might not have been able to afford the credit account he was applying for. So, they didn't uphold Mr F's complaint.

Mr F wasn't satisfied with Vanquis' response, so he referred his complaint to this service. One of our investigators looked at this complaint. But they also didn't feel that Vanquis had acted unfairly or unreasonably towards Mr F by approving his credit account application in 2016, and so they also didn't uphold Mr F's complaint.

Mr F remained dissatisfied, so the matter was escalated to an ombudsman for 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.

It's for a business to decide whether it will offer credit to a customer, and if so, how much and on what terms. What this service would expect would be, that before approving a customer for a new line of credit, the business would undertake reasonable and proportionate checks to ensure that any credit being offered to a customer is affordable for that customer at that time.

Vanquis appear to have done that here. One reason I say this because during the application process Vanquis gathered information about Mr F's annual income at that time, which F declared as being £47,000. Additionally, Vanquis also obtained information about Mr F from a credit reference agency, and this information included that Mr F had a low amount of other existing credit at that time.

As such, given the relatively low credit limit of £150 which Vanquis provided to Mr F, it does seem reasonable to me that Vanquis would have concluded from the information that they

gathered that Mr F would in all likelihood have been able to afford the monthly repayments which might have become due on the credit account, had Mr F used the full £150 of credit available to him.

I note that Mr F's credit file also showed both a defaulted account and a County Court Judgement ("CCJ"), but the default had taken place just over a year before the Vanquis application, and the CCJ approximately three and a half years before. Given the apparent affordability of the credit account, as explained above, as well as how Mr M had managed his credit commitments in the twelve months since the default, and Vanquis' own market position as a provider of 'second chance' credit, I'm satisfied that it was reasonable for Vanquis to offer a credit account to Mr F with a relatively low credit limit such as they did.

Mr F has explained to this service that he was struggling with a gambling addiction at the time of the application, and I'm aware that Mr F feels that Vanquis should have undertaken more detailed checks into his circumstances which would have highlighted this fact – such as Vanquis undertaking a review of his current account statements, which would have shown a large number of gambling transactions.

I can appreciate Mr F's position here, but Mr F didn't make Vanquis aware of his issues with gambling at the time of the application, and I don't feel there was any obligation on Vanquis to have undertaken more detailed checks as Mr F contends.

I say this because credit providers have an obligation to undertake reasonable and proportionate checks, in consideration of the amount of credit being provided. And while it would be expected that more detailed checks would be undertaken where the amount of credit being provided was considerably high, such further checks wouldn't be expected for applications where the amount of credit being provided is relatively low – such as was the case in this instance.

Finally, Mr F has stated that his credit file at the time of the application would have shown that he was using payday loans which he feels should have been an indicator of potential financial difficulty. Having reviewed Mr F's credit file, I do note several payday loans, but the majority of these were taken after Mr F's Vanquis account had been opened. It may have been the case that two of these payday loans would have been visible to Vanquis at that time of the application, although Vanquis themselves only record one such loan.

However, the use of payday loans by a consumer doesn't necessarily mean that the consumer is struggling financially, and given that both of the loans that may have been visible to Vanquis were repaid by Mr F without incident, I don't feel that the presence of these loans should have given Vanquis reasonable cause to suspect that Mr F might have been struggling financially at that time of the application such that the provision of a credit account to Mr F with a credit limit of £150 shouldn't have taken place.

Ultimately, having assessed the circumstances surrounding Mr F's application for credit in 2016 with Vanquis, I'm satisfied that Vanquis did undertake reasonable and proportionate checks into Mr F's financial position at that time, and that there was nothing resulting from those checks that should have given Vanquis fair cause to suspect that Mr F might not be able to afford the credit account he was subsequently approved for.

I realise that this won't be the outcome Mr F was wanting, but it follows from the above that I won't be upholding this complaint or instructing Vanquis to take any further action at this time. I hope Mr F will understand, given all that I've explained, why I've made the final decision that I have.

**My final decision**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 31 May 2022.

Paul Cooper  
**Ombudsman**