

The complaint

Mr R complains that Vanquis Bank Limited has irresponsibly lent to him and they didn't treat him with forbearance when they knew he was suffering from financial difficulty.

What happened

Mr R was approved for a Vanquis credit card in April 2016, with a £500 credit limit. Mr R complained to Vanquis as he said when he applied for the card, Vanquis should have seen he was having financial difficulties as he had opened a number of accounts prior to opening his Vanquis account. Mr R says he was constantly over his credit limit with other providers.

Vanquis did not uphold Mr R's complaint. They said Mr R had declared he was employed, working full time with an annual income of £12,000. His credit file did not show any County Court Judgements (CCJ's) or previously defaulted debt. His external unsecured borrowings were around £6,700 at the time his account was approved.

In regards to Mr R's comments about financial difficulty, Vanquis said that they'd had limited contact with Mr R since his account had been opened and if he would have told them he was suffering from financial difficulties then Vanquis would've been able to look into the options available to Mr R. Vanquis said they would've been able to find an affordable and sustainable solution to give him one less thing to worry about at this time.

Mr R brought his complaint to our service. Our investigator did not uphold Mr R's complaint. She said that from the credit file that Mr R had provided to us, it appeared his existing accounts were in good standing at the time of the application. She also said that the credit file didn't show a rapid uptake of credit in the 12 months preceding the credit application and she'd not seen that Mr R needed to commit half of his net salary towards repaying these outstanding debts.

Our investigator said regarding the financial difficulties, that Mr R explained he didn't have much communication with Vanquis and never discussed being in financial difficulty with them. While Mr R had said that he believes Vanquis should've treated him with forbearance and due consideration, she couldn't see that they had the opportunity to do so, as Mr R had never raised any concerns about his financial position with them.

Mr R asked for an Ombudsman to review his complaint. He said at the time of his application, he had exceeded his credit limit on at least three out of the five revolving credit accounts he had. He said he took out more than six new credit accounts in the 12 months prior to him applying for the Vanquis card and he would've needed to commit half of his net salary to service his accounts. He disagreed Vanquis showed him forbearance with his financial difficulties.

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.

Mr R has made a number of points to this service and I've considered and read everything he's said and sent us. But, in line with this service's role as a quick and informal body I'll be focusing on the crux of his complaint in deciding what's fair and reasonable here.

Before agreeing to approve the credit limit for Mr R, 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 R's application. They said at the time of applying for the credit card, they considered the information that Mr R had given them, such as being employed, earnings of £12,000, living at home with his parents and they looked at the information on his credit file. Vanquis said that Mr R's credit file showed he had external unsecured outstanding debt of around £6,700.

But that's not all the credit file showed. It showed that Mr R hadn't defaulted in the past or had any CCJ's. So I've considered if the checks that Vanquis carried out were proportionate to the level of credit that Mr R was given. Based on the data showing that Mr R had no accounts in arrears at the time of his application, he was given a low initial credit limit in relation to his earnings, then I'm persuaded that the checks Vanquis carried out here were proportionate.

I've considered what Mr R has said about him exceeding at least three of his credit limits prior to his application. But the credit file he's supplied our service does not show this was the case. The credit file shows 0's for the statuses of his accounts, which suggests Mr R was not in arrears at the time of his application.

I've also considered what Mr R has said about him taking at least six new credit accounts in the 12 months prior to him making an application. I can see that in 2016, Mr R applied for a third party credit card a few weeks before applying for the Vanquis card. But as it was so close to the acceptance date for his Vanquis card (less than a month), I'm doubtful whether the credit agencies would have updated their data for this to be available to Vanquis. But that being said, the amount of credit which was approved by the third party was a very modest £200. So I'm not persuaded that this should have made Vanquis believe they should make further checks, even if they saw this data.

From Mr R's credit file, it shows in the previous twelve months to him being accepted for his Vanquis card, he had been accepted for two loans and two credit cards (three if the March 2016 card was available for Vanquis to see). While this may seem like a lot of applications. It was November 2015, when Vanquis would have definitely been able to see his last credit card had been opened, with a modest £450 credit limit. So it would have been five months prior to him being approved for the Vanquis card. And Vanquis had taken into account his external total outstanding debt when they approved him for the card.

Looking at Mr R's credit file, I agree with our investigator that at the time Mr R was approved for the Vanquis card, that the credit file doesn't suggest he would have been paying half of his net salary out for his unsecured debt. The credit file shows no payday loans prior to him being approved for the card, no accounts in arrears, no CCJ's and no defaults. So I can't agree with Mr R that there were signs prior to him being approved for the card that he was suffering financial difficulties.

I was sorry to read that Mr R was having financial difficulties. So I've thought about what he's said about Vanquis not showing him forbearance. But I'm not persuaded that Vanquis

realistically would have known that Mr R was having financial difficulties as it doesn't appear that he's told them this.

I have looked at Mr R's credit card statements. And despite them showing he was often over his credit limit, Mr R often makes a payment to his account each month. While there are cash withdrawals that Mr R occasionally makes, these are not signs of financial difficulties alone.

I've had a look at Vanquis' system notes to see the communication they've had with Mr R. This would give me an indication to see if Mr R has discussed his financial difficulties with Vanquis. I can see that Mr R spoke to Vanquis over the phone in 2017, 2018 and 2019.

The first call on 10 May 2017, is in relation to Mr R not making his previous months payment. While this could suggest Mr R was having financial difficulties at the time, the system notes show that Mr R explained to Vanquis that he would meet the payment on 29 May 2017. His following statement shows that he made the payment just two days after the call and he made another payment on 27 May 2017. This brought his account back into credit. There are no notes to suggest Mr R told Vanquis of any financial difficulty here, and as he made a double payment, this may suggest to Vanquis that there would be no concern about him being in financial difficulties.

Mr R was spoken to by Vanquis on 30 August 2018, about being over his credit limit and a late payment. The notes suggest that Mr R had moved money out of his bank account and therefore his direct debit to Vanquis was returned unpaid. The notes show that Mr R wanted to make manual payments in the future. So again, if Mr R was having financial difficulties, I'm persuaded that while he was in contact with Vanquis here that he should have let them know about this. By saying to Vanquis that he had just removed money from his account and that's why his direct debit was returned, and by saying he wanted to make manual payments, then I'm persuaded Vanquis would have been reassured by this explanation, especially as Mr R didn't often miss his payments. And Vanquis were still not made aware of any financial difficulties Mr R may have been in.

The call notes on 10 July 2019 suggest that Vanquis had discussed "*persistent debt*" with Mr R. The notes show that "*he can do £70.00 within the next 6 months*". So while Mr R had been classed as in persistent debt by the definition of the regulator, as he had paid more in charges, fees and interest as opposed to reducing his outstanding his capital balance, Mr R needed to pay £70 to be considered out of persistent debt and he had indicated to Vanquis he was able to do this. If Mr R was in financial difficulties here, I would have expected him to not agree to pay more than his contractual minimum monthly payment and to make Vanquis aware of any financial difficulties. So it follows I won't be asking Vanquis to do anything further.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 14 April 2022.

Gregory Sloanes
Ombudsman