

The complaint

Mrs L complains that Vanquis Bank Limited lent to her irresponsibly.

What happened

Vanquis approved Mrs L's credit card application with a credit limit of £1,000 in June 2018. The credit limit hasn't been increased.

Mrs L says that Vanquis didn't do enough checks to ensure the lending was affordable to her. So, she complained to Vanquis.

Vanquis looked into Mrs L's complaint, but it didn't think it had done anything wrong. It said it had correctly assessed Mrs L's credit card application when it was approved by considering information from Credit Reference Agencies (CRAs) and the information Mrs L provided about her financial circumstances. So, it didn't uphold Mrs L's complaint.

Unhappy with Vanquis' response Mrs L referred her complaint to us. She said Vanquis should have identified that she had other debts and that she couldn't afford another credit card.

One of our investigators looked into the complaint. But she thought Vanquis had carried out enough checks when it approved Mrs L's credit card application. And she didn't think the checks indicated that Mrs L was in financial difficulties or struggling to pay her credit commitments at that time. She noted that some of Mrs L's borrowing had since defaulted but she pointed out this was after Vanquis approved this credit card. So, she didn't uphold the complaint.

Mrs L didn't agree. She said Vanquis should have realised she was struggling as she used the credit card for cash withdrawals and that she reached the credit card limit quickly. She added that Vanquis had since passed the debt to a third-party.

Mrs L asked for her complaint to be reviewed again. So, the complaint has been passed to me 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.

I've also taken into account the law, any relevant regulatory rules and good industry practice at the time the credit card was approved.

Vanquis is required to lend responsibly. It needed to conduct checks to make sure that the credit facility it was giving to Mrs L was affordable and sustainable. Such checks need to be proportionate to things like the credit limit it offered Mrs L, how much she had to repay (including interest and charges) each month, her borrowing history with it (if any) and what it

knew or found about her financial circumstances. But there is no set list of checks it had to do.

Vanquis says when Mrs L initially applied for the credit card it completed an external credit search through the CRAs and asked about her employment before agreeing to lend to her. And it has provided the information it collected at the time.

I've looked at this information and I can see Mrs L told Vanquis – on her credit card application, that she was employed on an annual income of £26,800 (with a total household income of £36,000). And, while the credit file data shows that Mrs L had other credit commitments, the search results don't reveal any information to indicate that Mrs L had any recent defaults, adverse public records, or any accounts in arrears with other creditors at that time. Overall, this suggests Mrs L was managing her credit commitments well at the time she applied for the credit card with Vanquis.

I've looked at the copy of Mrs L's credit file report that she has provided to us. While I can't review it in full in the format it's been provided, I can see that Mrs L's financial circumstances have deteriorated. But the credit file suggests the deterioration started after Vanquis approved her application. So, Vanquis wouldn't have known that this might happen when it agreed the credit limit on her credit card. And I don't think it would have reason to doubt or disbelieve the information it gathered about Mrs L at the time it approved the credit card limit.

I know Mrs L thinks Vanquis should have been doing far more checks. And she has provided her bank account statements. But as mentioned above, there isn't a list of checks Vanquis is required to do. It is required to do proportionate checks based on the circumstances at the time. And here I think Vanquis did enough checks based on a modest credit limit of £1,000 where the monthly payment was around £45.

I note Mrs L has said that she used the credit card for cash withdrawals and fully utilised the credit limit in a short space of time. But this also occurred after Vanquis approved the credit card. It wouldn't have known at the time the card was approved that Mrs L would use the card in this way. So, like the investigator, I haven't found anything that I think should have prompted Vanquis to think Mrs L was in financial difficulty or that further checks were needed at that time to verify what Mrs L had told it when she applied for the credit card. It follows that I don't agree with Mrs L that Vanquis lent irresponsibly at this stage.

I can see that Vanquis did become aware of a potential problem when Mrs L exceeded her credit limit and subsequently when Mrs L contacted them about her health issues. And I can see some charges and interest have been refunded at the time. I note Mrs L has now also told us that Vanquis has since passed her debt to a debt recovery agent. But this is a complaint about irresponsible lending, so any concerns Mrs L has about how Vanquis dealt with her account when it became aware of her financial difficulties, don't form part of this complaint. As such, I can't comment on this further.

But I would urge Mrs L to work with the debt recovery agent to see what next steps can be agreed. And she may benefit from contacting a debt advice service for assistance – the contact details of such a service have been previously provided by the investigator. I do very much sympathise with Mrs L's financial difficulties and the health problems she has been dealing and I understand she will be disappointed with the outcome I have reached. But, ultimately, I have to consider whether Vanquis did anything wrong when the credit card was approved, and I don't consider it did. So, it follows that I can't fairly uphold the complaint.

My final decision

For the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs L to accept or reject my decision before 12 July 2022.

Sandra Greene
Ombudsman