

## **The complaint**

Mr N complains that Vanquis Bank Limited irresponsibly gave him a credit card he couldn't afford to repay.

## **What happened**

In July 2019, Mr N applied for a credit card with Vanquis. His application was accepted and he was given a card with a credit limit of £1,000. The limit was increased to £1,750 in December 2021.

Mr N complained to Vanquis in January 2022. He said that the credit shouldn't have been given to him because he couldn't afford the repayments. He said that had Vanquis completed adequate checks before lending it would have seen this too. Mr N said that he had a gambling addiction and had been taking out lots of expensive credit prior to applying for this credit card.

Vanquis didn't think it had acted unfairly in giving Mr N the card or the subsequent limit increase. It said that Mr N had declared an income of £55,000 per year and the information it had gathered about his committed expenditure and existing credit commitments suggested that he had sufficient disposable income to repay the credit card.

Our adjudicator didn't recommend the complaint be upheld. He thought Vanquis ought to have asked Mr N more questions about his income and expenditure before opening the credit card and increasing the credit limit. However, he didn't think that further questions would have led to a different lending decision or that it was likely Vanquis would have discovered Mr N's gambling problem.

Mr N disagreed. He said that the expenditure figures Vanquis had relied on were far lower than his actual circumstances. He said that Vanquis ought to have taken his gambling expenditure into account too and that at the time he was borrowing from other creditors as well as relying on his overdraft to meet his essential expenditure.

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.

Before lending to Mr N, Vanquis were required to complete proportionate checks to ensure the credit it was proposing to provide was affordable. There isn't a set list of checks a lender needs to complete in each and every case, instead, Vanquis needed to ensure it did enough based on the specific circumstances of that lending decision. The things Vanquis needed to consider when deciding what was proportionate included (but wasn't limited to): the type and amount of credit, the size and frequency of the repayments, the cost of the borrowing and Mr N's circumstances.

Mr N declared that he earned £55,000 per year and Vanquis says he also declared housing costs of £290 per month. Vanquis also completed a credit check which it says showed Mr N had credit commitments of around £729 per month and it also estimated additional monthly living costs at £1,026. It says as Mr N's monthly income was around £3,300 this demonstrated that he had sufficient disposable income to afford the credit limit of £1,000.

Mr N disputes the figure of £290 for housing costs and says his rent was around £1,000 more than this. He says he also had two dependents and was using his existing credit cards to cover his essential expenditure.

I do think that the information Vanquis gathered ought to have indicated that further affordability checks would be reasonable before lending. I say this because Mr N had numerous creditors and not an insignificant amount of credit outstanding to repay. Further, it seems that he was more or less at his credit limit on all of his existing credit cards and although Vanquis hasn't given me the full extent of its credit check, I think it's most likely it would have seen this too.

Having said this, I note that Mr N's income was significantly above average and there didn't seem to be any recent records of payment difficulty on his credit file. The most recent missed payment had been recorded around two years earlier. With this as the context, I think reasonable and proportionate affordability checks would have included asking Mr N more information about his essential expenditure.

I can't be sure exactly what Mr N would have disclosed if asked at the time. However, I've reviewed copies of his bank statements from the time of the application. In the absence of anything else, I think it's reasonable for me to conclude that the essential expenditure detailed in those statements is what Mr N would likely have disclosed. However, I've not seen anything to indicate that Mr N's committed essential expenditure, combined with his existing credit commitments left him with insufficient funds to make repayments towards a credit limit of £1,000 in a sustainable way.

Mr N says that his gambling problem meant that he was struggling financially and was borrowing heavily from other creditors. I've also seen the volume of gambling on his bank statements. However, for me to say that Vanquis lent irresponsibly to him on this basis I would need to be satisfied that Vanquis knew, or ought reasonably to have known about the gambling. I'm sorry to disappoint Mr N, but I don't think Vanquis could reasonably have known.

I say this because I don't think it would have been reasonable or proportionate for Vanquis to have requested to review Mr N's bank statements prior to lending to him. From what it knew or ought to have known about his financial circumstances at the time of the application I don't think would have caused that level of significant concern about his ability to repay sustainably.

Further, I note that Vanquis had a phone call with Mr N prior to accepting his application and during this call Mr N didn't disclose his gambling to Vanquis. Even when Vanquis asked Mr N what he intended to use the card for, he said it would be for normal purchases. However, Mr N went on to use the card almost exclusively for gambling (I'll come onto this in more detail when I deal with the limit increase). So, for all these reasons I don't think Vanquis acted unfairly in giving Mr N the initial limit of £1,000.

As I've set out above, Mr N used the Vanquis card almost exclusively for gambling. When he received an annual statement summary in July 2020, it showed that in the first year of having the card he had spent £29.99 on 'purchases' and almost £2,000 on 'cash' transactions. These cash transactions were almost all gambling transactions as this is how Vanquis

treated them.

Had Vanquis sought to increase Mr N's credit limit at this point or soon after, I would have considered that to have been irresponsible. However, it didn't do so. Vanquis didn't increase Mr N's limit until 17 months later. After Mr N received his annual statement in July 2020, which also highlighted how expensive in terms of interest and fees it was to gamble on his credit card, he stopped using the card for gambling transactions almost straight away.

Therefore, in the following 17 months, Mr N's use of the card was almost exclusively for what was considered regular purchases. I've reviewed Mr N's credit card statements and it seems that it's possible Mr N was actually still gambling. However, this is not clear from the type of transactions taking place. It seems he was making purchases with payment platforms and money exchange providers. Given what Mr N has told us and what we know (with the benefit of hindsight) about his circumstances, I'm satisfied that the credit card payments did likely still go towards gambling. However, I don't think it would have been reasonable for Vanquis to have known this.

This is because the way Mr N was using the card was that he was not making payments directly to gambling websites or businesses. So, when Vanquis increased his limit to £1,750 in December 2021, Mr N didn't appear to have used his account for gambling in almost a year and a half. In addition to this, Vanquis' credit check showed Mr N's outstanding external debt had decreased by around £5,000 since his initial application for the credit card, he'd continued to have no adverse information recorded on his credit file, and he had regularly made substantial payments towards his Vanquis credit card (sometimes almost £1,000 per month). Given all of this, I don't think Vanquis acted unreasonably in increasing Mr N's credit limit at that time. There were no clear signs that doing so was likely to cause him harm or difficulty repaying.

Mr N says that at this time he was regularly in his overdraft. However, this wasn't evident from his credit file. Even the copy of the credit file Mr N has provided shows that he was not overdrawn at the time, nor had he been recently. While I accept that Mr N did utilise his overdraft during this time, from the bank statements he's provided I'm satisfied that was always a temporary borrowing. I can see he regularly went substantially into credit and it seems this is likely the reason his credit file showed no concerns with his overdraft usage. As there was nothing on the credit file to indicate a problem, I can't reasonably say Vanquis should have known about it. I therefore don't think Vanquis acted unfairly towards Mr N.

### **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 Mr N to accept or reject my decision before 13 October 2022.

Tero Hiltunen  
**Ombudsman**