

## **The complaint**

Mr B complains that Vanquis Bank Limited irresponsibly granted him credit he couldn't afford to repay.

## **What happened**

Vanquis opened a credit card account for Mr B in January 2013. This type of credit was an open-ended or running account facility and the credit limit was £500. By May, Mr B had spent over his limit and missed payments and the account was defaulted in July.

Mr B says that Vanquis didn't look into his circumstances enough before lending to him. Mr B said that he had existing debt and couldn't afford to repay more credit. He says that he didn't meet his card repayments and took on more debt. Eventually, he entered into an Individual Voluntary Arrangement (IVA) to clear his debts.

Vanquis didn't uphold Mr B's complaint. It said that it asked him about his income and found that the credit card repayments would be affordable for him. Vanquis said that although Mr B had some adverse information on his credit file, it wasn't recent enough to raise concerns.

Mr B referred his complaint to us. Our investigator didn't recommend that the complaint be upheld. They found that Vanquis didn't act unfairly or unreasonably by approving the credit agreement. Mr B didn't agree with this recommendation and asked for his complaint to come to an ombudsman to review and resolve and it came to me.

I issued a provisional decision on the 10 October 2022 explaining why I didn't think Mr B's complaint should be upheld. I allowed some time for both parties to provide me with further comments or new information for me to consider when making my final decision. Mr B responded but I have not heard from Vanquis.

## **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.

Having reviewed everything again, including what Mr B said in response to my provisional decision, my conclusion remains unchanged and I am not upholding Mr B's complaint. I appreciate that this will be very disappointing for him and I'm sorry that this isn't the outcome he wanted. I'll set out again my reasons for not upholding his complaint in this final decision.

As I'd said in my provisional decision, I've had regard to the regulator's rules and guidance on responsible lending which lenders, such as Vanquis, need to abide by. Vanquis will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don't consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

Vanquis asked Mr B about his income which he said was £20,000, and I've estimated that his net monthly pay was therefore approximately £1,400. Vanquis says that the credit card repayments would have cost Mr B around £25 a month should he have borrowed up to the limit. Vanquis said that, given what it knew of Mr B's commitments, it wasn't an unaffordable amount to repay.

The regulations stated that a lender should not use the assumption of the amount necessary to make only the minimum payment each month and should consider the customer's ability to repay the maximum amount of credit available under the agreement within a reasonable period of time. Even bearing this in mind, I think it was reasonable to consider that Mr B would be able to repay the credit within a reasonable period of time, given his stated income and the credit limit.

Vanquis also checked Mr B's credit file. Neither Vanquis nor Mr B have been able to provide me with a copy of his credit file from the time, though Vanquis has provided a copy of some of the information it recorded from the file. This includes that Mr B had active debt of £1,400, defaulted debts of £2,300 and county court judgements (CCJ) for an amount of £11,500. Vanquis noted that the latest default date was 39 months prior to the account opening and the last CCJ was awarded 20 months prior. Vanquis said that it is known as being a 'second- chance' lender and is often used by people looking to rebuild their credit history. It said that although Mr B had defaults and CCJs present on his credit file, given the length of time since these occurred, they wouldn't have necessarily been reasons to decline the application.

Our investigator found that the checks Vanquis carried out were reasonable and proportionate and that it hadn't acted irresponsibly when it agreed to offer Mr B a credit card on the basis of the information it had. I agree that in some cases these checks might be appropriate but in this case I think Vanquis needed to do more.

I agree that Vanquis didn't act irresponsibly here by accepting that Mr B had some previous financial difficulty and didn't automatically decline to lend to him on this basis alone. The adverse information it noted from Mr B's credit file was not very recent. However, the amount of debt he had been unable to repay was relatively large compared with this income. And I don't think Vanquis knew how much Mr B was paying towards his debts, historic or active, at the time it agreed more credit for him.

The regulations stated that if a lender took income or expenditure into account it needed to take account of actual current income or expenditure and that it wasn't generally sufficient to rely on self-certification. I can't see that Vanquis looked for any independent verification of Mr B's income before lending to him or that it asked Mr B about his expenditure, including what he was spending on repaying his active and historic debts. Altogether, I don't think Vanquis knew enough about Mr B's means to have reached a reasonable understanding of whether or not this agreement was sustainably affordable for him without further checks.

That said, I can't be certain what Mr B might have told Vanquis had it asked about his regular expenditure, or what it might have seen if it looked to verify his income. Mr B hasn't provided me with any information or supporting evidence about his means for example, bank statements or payslips. Mr B has provided information about his IVA which shows that the initial meeting of his creditors took place in March 2017, some four years after this account was opened, and by that time he had £28,500 of unsecured debts. From the information I've seen, some of these were built up before Vanquis opened the account but, as mentioned, I don't know what Mr B might have been paying towards them, or ought to have been paying towards them, at the time of the account opening.

Altogether, with the information available to me, I can't reasonably conclude that further checks would have shown Vanquis that Mr B would not be able to meet his payments sustainably and led it to decline to lend to him. So I haven't concluded that Vanquis acted unfairly in approving the finance on this occasion.

Mr B said in response to my provisional decision that if Vanquis knew about his previous debt, then it should have put measures in place to make sure that its credit wasn't going to cause problems for him and lead him into further debt. I agree with Mr B, which is why I've concluded that Vanquis should have looked into his circumstances further before lending to him to check whether he might be impacted adversely by this. As I've explained, I don't know what it might have learnt about his circumstances and so, in this case, I can't find that it was wrong to lend to him.

Mr B also said that the fact he entered into an IVA years later evidences that this credit caused him problems. I appreciate that Mr B took on considerably more debt over the years which resulted in him entering into an IVA to help manage this. However, I haven't seen enough to make me think this outcome would have been obvious to Vanquis, had it had more information about his circumstances, and led it to decline to lend to him at that time.

Mr B also told us that he had health problems at the time and I am sorry to hear of his difficulties. However, I haven't seen anything in the available information which suggests to me that Vanquis knew, or should have known, about his health problems before agreeing to lend to him.

### **My final decision**

For the reasons given above, I am not upholding Mr B's complaint about Vanquis Bank Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 7 December 2022.

Michelle Boundy  
**Ombudsman**