

Complaint

Mrs T has complained about a loan Vanquis Bank Limited ("Vanquis") provided to her. She says that the loan was unaffordable and irresponsibly lent.

Background

Vanquis provided Mrs T with a loan for £3,000.00 in November 2019. This loan was due to be repaid in 36 monthly instalments of just under £125.

One of our investigators reviewed what Mrs T and Vanquis had told us. And he thought that Vanquis hadn't done anything wrong or treated Mrs T unfairly. So he didn't recommend that Mrs T's complaint be upheld.

Mrs T disagreed and asked for an ombudsman to look at her complaint.

My findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Mrs T's complaint.

Vanquis needed to make sure that it didn't lend irresponsibly. In practice, what this means is Vanquis needed to carry out proportionate checks to be able to understand whether Mrs T could afford to repay before providing this loan.

Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

Vanquis provided Mrs T with a first and only loan for £3,000.00 in November 2019, although I do accept that Mrs T did have a Vanquis credit card at the time. This loan was due to be repaid in 36 instalments of just under £125. Vanquis says it agreed to Mrs T's application after she provided details of her monthly income and some information on her expenditure. It says it cross-checked this against information on a credit search it carried out together with her repayment record on her credit card and all of this information showed Mrs T could afford to make the repayments she was committing to. On the other hand, Mrs T has said she was in financial difficulty.

I've carefully thought about what Mrs T and Vanquis have said.

The first thing for me to say is that Vanquis has provided the output of Mrs T's application. Vanquis searches appear to show that Mrs T had had historic difficulties with credit – there were historic defaults. But Mrs T only had three active credit commitments at the time of this application and all of them (including Mrs T's Vanquis credit card) were up to date. Crucially, according to the credit searches, Mrs T's unsecured debt total at the time of the application was low in comparison to her income too.

I accept that Mrs T's actual circumstances may not have been fully reflected either in the information she provided, or the information Vanquis obtained. Furthermore, it's clear to see that her financial position took a turn for the worse from around 2020 onwards. But I don't think that Vanquis could have anticipated that this would happen and therefore I can't reasonably say that it ought to have accounted for this.

Equally Vanquis wasn't providing Mrs T with a mortgage. It was providing a loan for a relatively low amount and which had low monthly payments. It's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong. Given the circumstances here, and the lack of obvious inconsistencies, I don't think that reasonable and proportionate checks would have extended into anything further.

As this is the case, I don't think that Vanquis did anything wrong when deciding to lend to Mrs T - it carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable.

I've also considered what Mrs T has said about outcomes she's received on other cases she's referred to us. While I agree consistency is important each case we receive is considered on its individual facts and circumstances. And I'm not bound by the outcomes reached by other casehandlers on different cases with different facts.

Ultimately, I'm required to consider the facts of a case and reach my own independent conclusion on the matter. That said and with a view to providing some clarity and reassurance to Mrs T, it might help for me to explain that there is a key difference between this complaint and the ones Mrs T has referred to.

This key difference is that the casehandlers in the other cases (including Mrs T's credit card one) thought that the lenders concerned hadn't carried out proportionate checks. It's also worth noting the lending decisions concerning the credit card complaint took place much earlier than this one.

And, in this particular complaint, bearing in mind the amount borrowed, the cost of the credit, the amount of the monthly payment, what Mrs T declared about her income and expenditure and what Vanquis saw on its checks, I think that the checks carried out in this particular case were proportionate – although I accept that Mrs T is unlikely to agree with this.

So while I'm not required to replicate the outcomes reached by casehandlers, nonetheless I don't consider that my answer here is incompatible or inconsistent with the cases Mrs T has referred to, notwithstanding the differing outcomes.

Overall and having considered everything, I don't think that Vanquis treated Mrs T unfairly or unreasonably when providing her with her loan. And I'm not upholding Mrs T's complaint. I appreciate this will be very disappointing for Mrs T – particularly given what she's said in light of other complaints being upheld. But I hope she'll understand the reasons for my decision on this case and that she'll at least feel her concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mrs T's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs T to accept or reject my decision before 4 September 2023.

Jeshen Narayanan
Ombudsman