

The complaint

Miss I complains that Vanquis Bank Limited irresponsibly lent to her.

What happened

Miss I applied for a credit card from Vanquis in March 2023. It gave her a £1,000 credit limit.

Miss I says Vanquis asked for very little information about her circumstances and it should have noted she already had a credit card with a high percentage of the limit used. This has impacted her financial well-being. Her repayments are very high and her income will not change as her mental health conditions mean she is unable to work.

Our investigator did not uphold Miss I's complaint. He said Vanquis had not completed proportionate checks but better checks would not have shown she would be unable to sustainably repay the credit.

Miss I disagreed with this assessment and asked for an ombudsman's review. She said in summary she should not have been given credit equal to 10% of her income at an APR of over 30%. Vanquis never asked why she was unemployed, had it done so it would have realised her income was entirely from disability benefits and therefore her living costs were higher. Its assumptions about her expenses did not consider her personal circumstances.

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.

Vanquis will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint about 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.

To decide if Vanquis lent responsibly I need to consider if its checks were proportionate; if not what would better checks most likely have shown; did it make a fair lending decision; and finally, did it treat Miss I unfairly in some other way.

I can see Vanquis asked for certain information from Miss I when she applied – this included income, employment status and residential status. It made an assumption about her living costs based on publicly available information. It carried out a credit check to understand her credit commitments and credit history. From these checks combined Vanquis concluded Miss I could afford a card with a credit limit of £1,000.

I am not persuaded these checks were proportionate given Miss I had declared a low income and that she was not working. I am not saying Vanquis was wrong to take Miss I's benefits into account as income, just that as her monthly income was low it needed to be sure it understood her financial circumstances. I also make this finding as it could see from the credit check that she had struggled financially in the past.

In cases such as these we look at bank statements from the months prior to the application. I am not saying Vanquis had to do exactly this but it is a reliable way for me to understand what better checks would most likely have shown Vanquis. I have reviewed Miss I's statements and I do not find better checks ought to have led Vanquis to make a different lending decision. Whilst her income was relatively low, so were her outgoings and there are none of the typical signs of financial stress such as using payday loans, returned direct debits, or the persistent reliance on an overdraft facility. So I think had Vanquis carried out proportionate checks it could reasonably and fairly have made the same lending decision.

Miss I has raised that her income was all from benefits but the regulations Vanquis must follow allow it to take into account benefit income in its affordability assessment. Miss I has also told us she had higher living costs due to her disability. I accept that may be the case, but her bank statements do not show she could not afford to take on this credit card.

Miss I also said that she had previously defaulted on a number of accounts and recently taken out a credit card. But I don't think her historic adverse information was reason enough to decline her application. And there was no evidence she wasn't sustainably repaying her recent credit card that had a relatively low limit of £200 and a balance of £73 at the time.

It follows I do not find Vanquis was wrong to lend to Miss I.

I haven't found any evidence Vanquis acted unfairly towards Miss I in some other way. I would remind it however of its obligation to treat Miss I fairly and, if appropriate, with forbearance if she needs to set up a reduced repayment plan. I would urge Miss I to contact Vanquis to discuss her circumstances if she cannot make her repayments. It also needs to ensure it takes steps to understand her vulnerabilities now she has referenced them in our complaint form, and to make reasonable adjustments if required.

My final decision

I am not upholding Miss I's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss I to accept or reject my decision before 14 November 2023.

Rebecca Connelley
Ombudsman