

Complaint

Mrs A has complained about a credit card Vanquis Bank Limited (“Vanquis”) provided to her. She says the credit card was unaffordable and so shouldn’t have been provided to her.

Background

Vanquis provided Mrs A with a credit card with an initial limit of £1,000.00 in April 2022. Mrs A’s credit limit was never increased.

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

Mrs A disagreed and asked for an ombudsman to look at the 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 A’s complaint.

Having carefully considered everything, I’ve decided not to uphold Mrs A’s complaint. I’d like to explain why in a little more detail.

Vanquis needed to make sure 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 A could afford to repay any credit it provided.

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 says it initially agreed to Mrs A’s application after it obtained information on her income and carried out a credit search. And the information obtained indicated that Mrs A would be able to make the monthly repayments due for this credit card. On the other hand Mrs A says that she shouldn’t have been lent to.

I’ve considered what the parties have said.

What's important to note is that Mrs A was provided with a revolving credit facility rather than a loan. And this means that Vanquis was required to understand whether a credit limit of £1,000.00 could be repaid within a reasonable period of time, rather than whether £1,000.00 could be paid all in one go. And a credit limit of £1,000.00 required relatively small monthly payments in order to clear the full amount owed within a reasonable period of time.

Vanquis' credit check did indicate that Mrs A had had previous difficulties with credit in the form of at least one default. But it's fair to say that this was historic given that the latest of the defaults occurred almost a year and a half prior to this application. More importantly, Mrs A didn't have much in the way of active debts or commitments at the time of application. So in these circumstances, I don't think that it was unreasonable for Vanquis to rely on what Mrs A said about her income and expenditure at the time of application.

I accept that Mrs A's position was worse than what the information Vanquis obtained showed. For example, I can see that Mrs A now says that she wasn't working at the time and wasn't due to until a few weeks after this application. However, that doesn't change the fact that Mrs A appears to have declared that she was working and that she had an annual income of £20,000.00.

Mrs A could have declared this in anticipation of the fact that she was shortly about to start a new job. But either way it wouldn't be fair and reasonable for me to use hindsight here, or say that Vanquis should have known that Mrs A wasn't yet in employment at this time given what she said.

So overall while I can understand Mrs A's sentiments, I don't think that it was unreasonable for Vanquis to rely on the information it gathered which showed that the credit card was affordable. Therefore, I don't think that Vanquis treated Mrs A unfairly or unreasonably when providing her with her credit card. And I'm not upholding this complaint. I appreciate this will be very disappointing for Mrs A. But I hope she'll understand the reasons for my decision 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 A's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs A to accept or reject my decision before 18 March 2024.

Jeshen Narayanan
Ombudsman