

## **The complaint**

Mr H complains that Vanquis Bank Limited (“Vanquis”) irresponsibly provided him with a credit card. Mr H is supported in bringing his complaint by a representative but for ease I’ll refer to Mr H throughout.

## **What happened**

Vanquis provided Mr H with a credit card in July 2018 with a credit limit of £500. The evidence available suggests Mr H’s credit limit wasn’t increased.

Mr H complained to Vanquis in November 2023. In summary, Mr H says the lending was unaffordable and unsustainable. He says at the time of lending, he had several other unsecured debts and adverse information showing on his credit file. He would prioritise repayments on his credit card over essential bills, to avoid late fees. Mr H says he has missed payments and has resorted to using credit to pay off existing debts. As a result, Mr H says the situation has impacted his mental health.

In its final response letter, Vanquis didn’t uphold Mr H’s complaint because it didn’t agree the lending was irresponsible. In summary, Vanquis said it used credit scoring and information about Mr H to make its lending decision and that its checks were proportionate, and the lending was deemed affordable. Mr H remained unhappy and asked our service to investigate his complaint.

To support its position, Vanquis provided our service with Mr H’s credit application data and his credit file information from the time of the lending decision.

Our Investigator considered both what Mr H and Vanquis had said. In summary, they said the checks Vanquis carried out were proportionate as Mr H was asked what his income was, and a credit check was carried out which showed a level of defaulted accounts but no recent adverse information. And, Mr H had utilised payday loans, but this happened several years prior. Having reviewed the information Vanquis gathered, our Investigator said the lending was likely affordable for Mr H due to his income, level of unsecured debt and how he’d been managing his credit commitments. Therefore, our Investigator felt the lending decision was fair.

Vanquis didn’t respond to the Investigator’s findings, but Mr H didn’t agree and requested a final decision on his complaint.

In summary, Mr H said had Vanquis carried out a comprehensive review into his finances, it would likely reveal his disposable income was insufficient to sustain additional credit. And he said he lacked stable income. Mr H also said the fact he’d defaulted on accounts previously and used payday loans, indicated a history of financial distress. Mr H feels Vanquis should have carried out a full income and expenditure to account for his overall living expenses and potential undisclosed debts.

In response, our Investigator said it wouldn’t have been reasonable or proportionate for Vanquis to have carried out further checks. And that Vanquis was entitled to rely on the

information Mr H declared and the information it gathered from its checks. They also said taking into consideration Mr H's income, he would have been reasonably able to afford repayments. Mr H responded to say he didn't agree.

Because an agreement couldn't be reached, the complaint has been passed to me to decide on the matter.

### **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.

I've addressed what I consider to be the crux of Mr H's complaint, which is that he was irresponsibly provided with a credit card.

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 Mr H's complaint.

Having carefully considered everything provided, I'm not upholding Mr H's complaint – and I'll explain why.

Vanquis needed to make sure it didn't lend irresponsibly. This means it needed to carry out proportionate checks to understand whether Mr H could afford to repay before providing the credit card. Generally, it might be reasonable and proportionate 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 it didn't continue to lend to its customer irresponsibly.

When Mr H was provided with the credit card, Vanquis was required to understand whether Mr H could sustainably repay the full amount it was prepared to lend, within a reasonable period of time.

When providing Mr H with the credit card, Vanquis' checks showed:

- Mr H said he was employed full-time earning £36,000 per year.
- Mr H had outstanding unsecured credit balances of around £189 on one credit card, which had a credit limit of around £200. Mr H didn't have any visible missed payments on this card.
- He didn't have any CCJs.
- He had a total value of around £2,900 in defaulted debt across four accounts (including a mail order account, two communications accounts and a water account), it had been around 30 months since his last default and around four years since his first default.
- Mr H's mortgage payment was around £594 per month.
- Mr H had utilised around five payday loans, but all had been settled around five years earlier or more.

I recognise that Vanquis' checks did show some adverse data on Mr H's credit file and I've thought carefully about whether this meant Vanquis ought to have carried out further checks

to get a better understanding of Mr H's financial situation - or even whether, based on this information, it simply shouldn't have lent to Mr H.

Although the credit checks showed some adverse data, the defaults had happened, and the payday loans had been settled, some years before. I'm conscious Mr H did still have a fairly high default balance but comparing this against his low active credit balance and minimal access to available credit too (he only had one credit card with a £200 limit) - he didn't seem to be overly indebted, and his financial situation appeared to be stable.

Taking into account the fairly modest limit of £500 being provided, Mr H's income, total level of borrowing elsewhere and how he'd been managing that borrowing in recent years, it seems likely Mr H would have been able to sustainably repay the full amount Vanquis was prepared to lend within a reasonable period of time.

Considering all of this, I'm satisfied the checks Vanquis carried out were proportionate in the circumstances and it wasn't wrong for Vanquis to issue the card with a limit of £500.

### **My final decision**

For the reasons I've explained, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 4 July 2024.

Sophie Kyprianou  
**Ombudsman**