

## **The complaint**

Miss K complains that Vanquis Bank Limited (“Vanquis”) provided her with credit that she couldn’t afford to repay.

Miss K has been represented throughout this complaint but as she is the account holder I will refer only to her in this decision.

## **What happened**

Vanquis approved a credit card for Miss K in July 2019 with a spending limit of £250. Miss K says that credit was unaffordable for her and has resulted in her experiencing financial difficulties.

Our investigator agreed with Miss K and suggested Vanquis should refund interest and charges that had been applied.

Vanquis didn’t respond so the complaint has been referred to me, an ombudsman, for a decision.

## **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.

Our approach to considering complaints about unaffordable and irresponsible lending is set out on our website. I’ve had this approach in mind when considering what’s fair and reasonable here.

I think Vanquis completed reasonable and proportionate checks before approving the loan. They asked Miss K about her income and estimated her monthly expenditure using statistical information. They reviewed Miss K’s credit file and that didn’t show any concerns. The calculations they performed suggested Miss K’s net income was £417 and her expenditure was likely to be about £348. That left a disposable income of £68 per month and Vanquis estimated that would be sufficient to afford repayments towards the new credit facility they were providing.

But just because I think Vanquis completed reasonable checks it doesn’t mean the lending was affordable for Miss K. Here the amount of disposable income was very low. Vanquis had only estimated Miss K’s expenditure and it may, therefore, have varied a little from that estimation. It wouldn’t have needed to vary much to use up all of Miss K’s disposable income. Miss K would also have needed some disposable income for emergency expenses. So, I don’t think it was reasonable to suggest there was sufficient evidence that she could sustainably afford repayments towards the credit Vanquis were extending had she wished to max out the card, which she could have done at any time. I don’t, therefore, think Vanquis made a fair lending decision.

## **Putting things right**

As I don't think Vanquis ought to have opened the account, I don't think it's fair for them to be able to charge any interest or charges under the credit agreement. But I think Miss K should pay back the amount she borrowed. Therefore, Vanquis should:

- Rework the account removing all interest, fees, charges, and insurances (not already refunded) that have been applied.
- If the rework results in a credit balance, this should be refunded to Miss K along with 8% simple interest per year\* calculated from the date of each overpayment to the date of settlement. Vanquis should also remove all adverse information regarding this account from Miss K's credit file.
- Or, if after the rework there is still an outstanding balance, Vanquis should arrange an affordable repayment plan with Miss K for the remaining amount. Once Miss K has cleared the balance, any adverse information in relation to the account should be removed from her credit file.

\*HM Revenue & Customs requires Vanquis to deduct tax from any award of interest. It must give Miss K a certificate showing how much tax has been taken off if she asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

## **My final decision**

I'm asking Vanquis Bank Limited to put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss K to accept or reject my decision before 17 July 2024.

Phillip McMahon  
**Ombudsman**