

The complaint

Mr F complains that Vanquis Bank Limited (“Vanquis”) acted irresponsibly when it approved his application for a new credit card.

What happened

Mr F has been assisted in making this complaint by a firm of solicitors. But in this decision, for ease, I will simply refer to all communication as if it has been with, and from, Mr F himself.

Mr F applied for, and was granted, a new credit card from Vanquis in December 2019. The card account was given a credit limit of £150 when it was opened. Mr F generally made his contractual repayments as required until towards the end of 2021. Vanquis transferred Mr F’s outstanding balance to a debt collection company in September 2022.

Mr F’s complaint has been assessed by one of our investigators. He thought that the checks Vanquis had done before offering the credit card had been proportionate. And he thought that the results of those checks suggested Mr F would be able to afford the repayments he would need to make. So he didn’t think Mr F’s complaint should be upheld.

Mr F didn’t agree with that assessment. So, as the complaint hasn’t been resolved informally, it has been passed to me, an ombudsman, to decide. This is the last stage of our process.

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.

We’ve set out our approach to unaffordable/irresponsible lending complaints on our website and I’ve kept this in mind while deciding Mr F’s complaint.

The rules and regulations at the time Vanquis gave this credit card to Mr F required it to carry out a reasonable and proportionate assessment of whether he could afford to repay what he owed in a sustainable manner. This assessment is sometimes referred to as an “affordability assessment” or “affordability check.”

The checks had to be “borrower” focused – so Vanquis had to think about whether repaying the credit sustainably would cause difficulties or adverse consequences for Mr F. In practice this meant that Vanquis had to ensure that making the repayments wouldn’t cause Mr F undue difficulty or adverse consequences. In other words, it wasn’t enough for Vanquis to simply think about the likelihood of it getting its money back, it had to consider the impact of any repayments on Mr F.

Checks also had to be “proportionate” to the specific circumstances of the loan application. In general, what constitutes a proportionate affordability check will be dependent upon a number of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, and any indications of vulnerability or financial difficulty) and the amount / type / cost of credit they are seeking.

In light of this, I think that a reasonable and proportionate check ought generally to have been *more* thorough:

- the *lower* a customer’s income (reflecting that it could be more difficult to make any repayments to credit from a lower level of income);
- the *higher* the amount due to be repaid (reflecting that it could be more difficult to meet higher repayments from a particular level of income);
- the *longer* the period of time a borrower will be indebted for (reflecting the fact that the total cost of the credit is likely to be greater and the customer is required to make repayments for an extended period).

There may also be other factors which could influence how detailed a proportionate check should’ve been for a given application – including (but not limited to) any indications of borrower vulnerability and any foreseeable changes in future circumstances. I’ve kept all of this in mind when thinking about whether Vanquis did what it needed to before agreeing to provide the credit card to Mr F.

Vanquis gathered some information from Mr F before it approved his application. It asked him for details of his income, and his normal housing costs. It then used some industry statistical data to estimate the remainder of Mr F’s normal expenditure. And it checked his credit file to assess how much he was repaying to other creditors and how he had managed credit in the past.

The amount that Mr F would be contractually required to repay each month, considering the relatively low credit limit Vanquis offered him and the regulatory guidance on repaying revolving credit within a reasonable period, would have been a maximum of around £15 - £20. So I’m satisfied that the checks I set out above were proportionate. But simply performing proportionate checks isn’t always enough. A lender also needs to react appropriately to the information shown by those checks. So I’ve looked at the information Vanquis held to decide whether it made a fair decision to give the credit card to Mr F.

The results of the credit check that Vanquis received didn’t show that Mr F was making use of other credit facilities at that time. And they didn’t show that Mr F had experienced any problems in the past in repaying any borrowing. So I don’t think the credit check showed anything that should have caused concerns to Vanquis when considering Mr F’s application.

Mr F told Vanquis that he was earning £1,450 each month. And he said that his normal housing costs were £200. So that left him a reasonable amount of disposable income with which he could pay any other living costs (that Vanquis estimated at £371) plus the contractual repayments on his credit card. I don’t think it was unreasonable, based on the information Mr F had provided, that Vanquis considered the repayments to be affordable.

I appreciate that my decision will be disappointing for Mr F. I think the checks Vanquis did before agreeing his application were proportionate. And I think the results of those checks didn’t provide any indication that Mr F would be unable to repay what he borrowed in a sustainable manner. So I don’t think the complaint should be upheld.

My final decision

For the reasons given above, I don't uphold the complaint or make any award against Vanquis Bank Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 11 July 2024.

Paul Reilly
Ombudsman