

Complaint

Mr R has complained about a credit card Vanquis Bank Limited (trading as “Vanquis”) provided to him.

He says that he shouldn’t have been given the credit card and that it was irresponsibly provided to him.

Background

In September 2020, Vanquis provided Mr R with a credit card with an initial limit of £500. Mr R wasn’t provided with any credit limit increases.

One of our investigators reviewed what Mr R and Vanquis had told us. And she thought Vanquis hadn’t done anything wrong or treated Mr R unfairly in relation to providing the credit card.

So she didn’t recommend that Mr R’s complaint be upheld. Mr R 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.

Having carefully considered everything, I’ve decided not to uphold Mr R’s complaint. I’ll explain why in a little more detail.

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 R’s complaint.

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 Mr R 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 don’t think that it is necessarily unreasonable for a lender’s checks to be less detailed – 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 agreed to Mr R’s application after it obtained information on his income and carried out a credit search. And the information obtained indicated that Mr R would be able to make the low monthly repayment required to clear the balance that could be owed within

a reasonable period of time. On the other hand Mr R has referred to a number of personal circumstances and says that he shouldn't have been lent to under any circumstances.

I've considered what the parties have said.

What's important to note is that Mr R 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 £500 could be repaid within a reasonable period of time, rather than in one go. A credit limit of £500 required low monthly payments in order to clear the full amount that could be owed within a reasonable period of time.

I've seen records of the information Vanquis obtained from Mr R about his income and what was on the credit search carried out. Vanquis says that Mr R declared a salary of £19,000.00 a year. Furthermore, while the credit search did show that Mr R did have defaulted accounts recorded against him, these were relatively historic in that the most recent of them was more than a year prior to this application.

Equally, Mr R only had a low amount of active credit at this stage too. So I don't think what was on the credit search means that Mr R's application should automatically have been declined. At best there is an argument that Vanquis ought to have mitigated against Mr R's previous defaulted accounts. I'm satisfied it did do by only granting him a low credit limit of £500 to begin with and I don't think that there was a need to verify the information that Mr R provided in these circumstances.

I accept that Mr R says his actual circumstances at the time were worse than what the information Vanquis obtained showed. I know that Mr R has referred to experiencing a number of difficult circumstances and I'm sorry to hear to hear about his difficulties. However, Vanquis didn't know this at the time of making its lending decision and it couldn't be expected to know about any of this either.

It's not immediately apparent to me that further checks, which I don't think were necessary, would, in any event, have led to Vanquis uncovering what Mr R has told us about. Indeed, I'm struggling to see how Vanquis could have found out about what Mr R has told us unless he volunteered that information, which he didn't do in this instance.

Overall and having considered everything, while I can understand Mr R's sentiments and I'm sorry to hear about his situation, I don't think that Vanquis treated Mr R unfairly or unreasonably. It carried out proportionate checks and reasonably relied on the information provided which suggested that the low monthly repayment required for this credit card was more likely than not affordable for him.

As this is the case and I've not seen anything else on file to indicate otherwise either, I also think it unlikely that a court would find that the relationship between Vanquis and Mr R was unfair to Mr R under section 140A Consumer Credit Act 1974.

Consequently I'm not upholding Mr R's complaint. I appreciate this will be very disappointing for Mr R - particularly given what he's said about having other complaints upheld. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mr R's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or

reject my decision before 16 July 2024.

Jeshen Narayanan
Ombudsman