

The complaint

Ms R complains that Vanquis Bank Limited lent irresponsible when it approved her credit card application.

What happened

In February 2020 Ms R applied for a credit card with Vanquis. In her application, Ms R said she was employed with a monthly income of £1,987 and had accommodation costs of £250. Vanquis carried out a credit search and says it found Ms R owed around £138 to other lenders. Vanquis applied estimated monthly living costs and reached a figure of £1,081 for Ms R's disposable income. Vanquis says it applied its lending criteria and approved Ms R's credit card with a limit of £150.

Ms R used the credit card, taking a cash advance of £100 in the first month and making a payment of £50 to another business. Ms R's March 2020 payment was returned unpaid. Ms R made a direct debit payment in May 2020 but after that, no further payments were received by Vanquis. As a result, Ms R's account was ultimately closed by Vanquis.

Last year, representatives acting on Ms R's behalf complained to Vanquis and said it had lent irresponsibly when approving her credit card application. The representatives asked Vanquis to refund all interest, fees and charges applied to the credit card.

The complaint was ultimately referred to this service and passed to an investigator who upheld it. They thought the level of adverse information recorded on Ms R's credit file should've shown Vanquis it was unlikely she was in a position to sustainably afford further credit and asked Vanquis to refund all interest, fees and charges applied to Ms R's account. Vanquis didn't respond, so Ms R's complaint has been passed to me to make 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.

Before agreeing to lend, the rules say Vanquis had to complete reasonable and proportionate checks to ensure Ms R could afford to repay the debt in a sustainable way. These affordability checks needed to be focused on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:

- The amount of credit;
- The total sum repayable and the size of regular repayments;
- The duration of the agreement;
- The costs of the credit; and
- The consumer's individual circumstances.

That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate. Lenders may

choose to verify a borrower's income or obtain a more detailed picture of their circumstances by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.

As our investigator noted, there was a reasonable level of adverse information showing on Ms R's credit file when she applied for a credit card with Vanquis. The information Vanquis found when it checked Ms R's credit file shows she had a payday loan that had been six months in arrears for the previous 12 months. The credit file also shows a default was registered around two months before Ms R's application was made and that another default was registered in March 2019. I further note there's a reasonable large number of payday loans shown on Ms R's credit file. Whilst I can see the balances of the accounts were reasonably low, I'm satisfied the information on Ms R's credit showed she was struggling and likely in financial difficulties when the application was made.

Vanquis may argue that by approving a credit limit of £150 Ms R would be able to repay the outstanding balance without undue financial harm. But I'm satisfied the information on Ms R's credit file shows she was already experiencing difficulties maintaining her existing commitments and unlikely to be able to afford any further repayments, even to a debt of £150.

I've considered whether the business acted unfairly or unreasonably in any other way including whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have set out below results in fair compensation for Ms R in the circumstances of her complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

As I'm satisfied the information Vanquis obtained during the application process showed Ms R was unlikely to be able to sustainably repay a new credit card I'm upholding her complaint and directing it to refund all interest, fees and charges applied from inception.

My final decision

My decision is that I uphold Ms R's complaint and direct Vanquis Bank Limited to settle as follows:

- 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 Ms R along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement and remove any adverse information from her credit file.
- Or, if after the rework there is still an outstanding balance, Vanquis Bank should arrange an affordable repayment plan with Ms R for the remaining amount. Once Ms R has cleared the balance, any adverse information in relation to the account should be removed from her credit file.

If Vanquis has sold the debt to a third party, Vanquis should arrange to either buy back the debt from the third party or liaise with them to ensure the redress set out above is carried out promptly.

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

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

reject my decision before 25 July 2024.

Marco Manente
Ombudsman