

The complaint

Mr H complains that Vanquis Bank Limited was irresponsible when it offered him a credit card account.

What happened

Vanquis opened a credit card account for Mr H in February 2018 with a credit limit of £250. Mr H had difficulty meeting his repayments and the account fell into arrears. The outstanding balance was sold to a third-party debt collector in September 2019.

Mr H complained to Vanquis in December 2023 that it didn't conduct sufficient checks before opening the account for him. He said that at the time his credit history was poor and he had excessive debt including council tax arrears. Mr H also said that he was unemployed when he made his application, that his income was low and he was in difficult personal circumstances.

Vanquis didn't uphold Mr H's complaint and he referred it to us. Our investigator assessed the complaint but didn't recommend that it be upheld. They found that Vanquis wasn't irresponsible to have opened the account for Mr H nor did it treat him unfairly later on.

Mr H didn't agree with this recommendation and asked for his complaint to come to an ombudsman to decide.

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 also had regard to the regulator's rules and guidance on responsible lending (set out in its consumer credit handbook – CONC) which lenders, such as Vanquis, need to abide by. Vanquis will be aware of these, and our approach to this type of lending is set out on our website, so I won't refer to the regulations in detail here but will summarise them.

Before entering into a credit agreement, Vanquis needed to check that Mr H could afford to repay the credit in a sustainable manner, in other words out of his usual means within a reasonable period of time, without having to borrow further and without experiencing financial difficulty. The checks needed to be proportionate to the nature of the credit, for example the amount offered, and to Mr H's particular circumstances. The overarching requirement was that Vanquis needed to pay due regard to Mr H's interests and treat him fairly.

With all of this in mind, my considerations are did Vanquis complete reasonable and proportionate checks when it opened the account for Mr H to satisfy itself that he would be able to repay the credit offered within a reasonable period of time? If it didn't do this, what would reasonable and proportionate checks have shown? Did Vanquis make a fair lending decision? Did it treat him unfairly in any other way, including whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974?

When Mr H applied for his credit card, he said he was in full time employment with an income of £12,000, or around £1,000 net a month. Vanquis noted that Mr H had no current debts showing on his credit file, and provided a summary of the credit file information it gathered when it opened the account and in the few months afterwards.

It seems to me that Vanquis carried out a proportionate check in this case. It considered what Mr H said in his application form and checked his credit file. I've reviewed the information Vanquis gathered, and I haven't seen anything which suggests that Mr H would be unable to meet his repayments for the level of credit offered (£250) without difficulty out of his stated income. I also don't think there was anything in the information Vanquis had gathered about Mr H's circumstances that should have led it to automatically decline his application or prompted it to complete further checks before entering into the agreement.

Altogether, considering the information about Mr H's income from the application form, what Vanquis saw on his credit file and the amount of credit it was offering, I can't say that Vanquis made an irresponsible or unfair lending decision when it opened the account for Mr H.

In response to our investigator's view, Mr H said that he wasn't working but was in receipt of state benefits at the time, receiving £800 a month, not £12,000 annually. Mr H also said that Vanquis should have taken into account not only his income but also his outgoings and living expenses, and any potential financial vulnerabilities he might have had, for example he had excessive debt including council tax arrears. Mr H said that Vanquis didn't carry out a proper assessment because it should have delved deeper into his financial commitments to ensure that the credit on offer wouldn't lead to financial distress. Mr H also shared that he was in very difficult personal circumstances at the time and was struggling with his mental health.

I'll need to highlight to Mr H that the regulations in place at the time were not prescriptive about the information Vanquis needed to gather. CONC 5.2.3G stated that the scope of a creditworthiness assessment depended on a number of factors (for example the amount and cost of the credit) but to consider all of these factors in all cases was likely to be disproportionate. CONC 5.2.4G set out a list of potential information sources which included customer information, evidence of income or expenditure, a credit score or credit report. Vanquis relied on information from Mr H and information about his debts from his credit report, which the regulations allowed for.

The regulations did state (CONC 5.3.1G) that *if* a lender took income into account it wasn't *generally* sufficient for it to rely solely for its assessment of the customer's income on a statement of those matters made by the customer (my emphasis). In this case, even if Vanquis had understood that Mr H's income was less than he'd said, I think it would still have entered into the agreement. The level of credit it was offering was relatively modest and the repayments would not take up such a large part of Mr H's income that it would have been clearly unaffordable for him.

Let me say at this point that I am very sorry to hear how difficult everything was for Mr H and I hope that things are easier for him now. However, I haven't seen anything in the information I've reviewed to suggest that Vanquis was, or should have been, aware of what he was going through at the time so I can't say that it got something wrong by not considering his situation when making its lending decision.

Mr H said that he struggled with repayments as soon as he opened the account and that Vanquis didn't offer him support. He said that his account was suspended due to non-payment, and he incurred billed finance charges, overlimit fees, and late payment charges, which added to his financial burden.

Vanquis provided its customer contact notes and I've reviewed these. They show that Vanquis tried to contact Mr H on numerous occasions by telephone from May to September 2018 about missed payments on his account. In May 2018 Mr H said he forgot to make a payment, in August he said he'd lost his card and in September he said he'd finished a job and was waiting to start another one. Vanquis had several conversations with Mr H in October and November 2018 in which a payment of at least £50 was agreed for mid-November. Mr H failed to make this payment and told Vanquis in early December that his job had fallen through and he had applied for Universal Credit payments which would begin mid-December.

Alongside this, Vanquis sent Mr H letters notifying him of the impact of the missed payments, along with final demand letters and a notice of default when he missed his agreed payment in November. When no payment materialised in December, Vanquis stopped adding charges to the account and closed it. The outstanding balance was sold to a third-party debt collector in 2019.

It seems to me that Vanquis applied charges to the account in accordance with its terms and conditions. It kept in touch with Mr H to understand what was happening with his payments, and informed him about the consequences of non-payment as it was required to do. It stopped adding charges to the account balance when Mr H failed to make his payment in December 2018. I haven't found that Vanquis treated Mr H unfairly after the account was opened.

In summary, I haven't found that Vanquis lent irresponsibly to Mr H or otherwise treated him unfairly in relation to this matter and so I am not upholding his complaint. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

My final decision

For the reasons I've explained above I am not upholding Mr H's complaint about Vanquis Bank Limited and don't require it to take any action in this regard.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 30 August 2024.

Michelle Boundy
Ombudsman