

## **The complaint**

Mr B complains that Vanquis Bank Limited lent to him in an irresponsible manner.

## **What happened**

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

Mr B applied for, and was given, a credit card by Vanquis in May 2019. When it was opened the credit card was given a limit of £250 – and the limit remained unchanged throughout the time the card was open. The account was defaulted in December 2022 and closed the following April.

Mr B's complaint has been assessed by one of our investigators. She thought that the checks Vanquis had done before opening the account had been proportionate. And she didn't think the results of those checks gave any indication that Mr B would be unable to meet his contractual repayments. So she didn't think Vanquis had been wrong to give the credit card, with a limit of £250, to Mr B.

Mr B 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 B's complaint.

The rules and regulations at the time Vanquis gave this credit card to Mr B 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 B. In practice this meant that Vanquis had to ensure that making the repayments wouldn't cause Mr B 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 B.

Checks also had to be “proportionate” to the specific circumstances of the credit 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 lend to Mr B.

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

The credit check results showed that Mr B had faced some significant problems in the past managing his money. It showed that he had defaulted on a number of previous credit accounts. But more recently Mr B appeared to have been managing his finances much better. At the time of his application Mr B only had one active credit account on which he owed money – that had a balance of £383 and didn’t show much evidence of missed payments.

Vanquis has explained that the credit card Mr B applied for was intended for consumers who had faced financial problems in the past and wanted to rebuild their credit record. So it wouldn’t be surprising to see impaired credit histories such as Mr B’s. And in response to those problems Vanquis says that it only offered Mr B a modest credit limit of just £250. Typically that would mean that Mr B would need to repay a maximum of £12.50 each month. I’ve taken all that into account when considering whether the checks Vanquis did were sufficient.

I think that the checks Vanquis did were proportionate. Given the amounts Mr B might need to repay each month I don’t think there was any need to verify the information he provided about his normal income and housing costs. And Mr B had told Vanquis that he was living with his parents, and had been for the past five years, meaning that his living costs might be lower than for other consumers. The information that Vanquis gathered suggested that Mr B would have more than enough disposable income each month to meet his contractual repayments.

So I don't think it was wrong for Vanquis to agree Mr B's application for the credit card. I have seen that he said he was struggling with a number of problems at that time such as gambling and alcohol addictions. And that he had recently been homeless. But they weren't something that Mr B told Vanquis about when he made his application. So I don't think it reasonable to expect Vanquis to have taken them into consideration when it approved his application.

In summary I think that the checks Vanquis did before agreeing the application were proportionate. And I don't think the results of those checks suggested that Vanquis shouldn't lend to Mr B.

For completeness I've also considered whether Vanquis acted unfairly or unreasonably in some other way given what Mr B has complained about, including whether its relationship with him might have been viewed as unfair by a court under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Vanquis lent irresponsibly to Mr B or otherwise treated him unfairly in relation to this matter. And I haven't seen anything to suggest that s.140A would, given the facts of this complaint, lead to a different outcome here.

### **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 B to accept or reject my decision before 20 August 2024.

Paul Reilly  
**Ombudsman**