

The complaint

Mr S complains that Vanquis Bank Limited (trading as Chrome Card) was irresponsible to lend to him.

What happened

Mr S was approved for a credit card with Vanquis on 2 July 2019. The credit limit was £1,000 and this was never changed.

Mr S says that when he applied for the card, he had multiple short-term loans and had missed payments towards a car loan. He said that, if Vanquis had checked his credit file, it would have seen this along with other credit cards that were at, and above, their limits. Mr S said the card should never have been approved and he has been in persistent debt ever since. He adds that he had gambling issues and was having to borrow elsewhere to afford the repayments which has all affected his mental health.

Vanquis says it was satisfied that it carried out proportionate checks prior to approving the credit card with a £1,000 limit and concluded that the lending was affordable and not irresponsible.

Our investigator did not recommend the complaint should be upheld. She said she was satisfied that Vanquis carried out proportionate checks and those checks indicated the lending was likely to be affordable to Mr S.

Mr S responded to say, in summary, that he had multiple short-term loans in the lead up to the credit card application and that he repaid almost £1,000 towards them in June 2019 alone. He added that he had also missed multiple payments towards his car loan.

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 need to take into account the relevant rules, guidance and good industry practice.

Bearing this in mind, in coming to a decision on Mr S's case, I have considered the following questions:

- Did Vanquis complete reasonable and proportionate checks when assessing Mr S's application and credit limit to satisfy itself that he would be able to repay the credit in a sustainable way?
 - If not, what would reasonable and proportionate checks have shown?

- Did Vanquis make a fair lending decision?
- Did Vanquis act unfairly or unreasonably in some other way?

When Mr S applied for the Vanquis card, I've seen evidence to show Vanquis checked his credit file and asked him about his income. These checks showed:

- Mr S was working full time with an annual income of £27,500
- Four active credit accounts:
 - Car finance with repayments of £192 monthly;
 - A loan with one final monthly repayment of £103;
 - A credit card with a balance of £131 and a limit of £200;
 - An overdraft of £61;
- One defaulted account from January 2015;
- No County Court Judgements or arrears.

Based on the information it received, I'm satisfied that Vanquis's checks were reasonable in the circumstances and were proportionate to the level of the lending.

I have also considered what Mr S has said about his other borrowing and arrears prior to the approval of the credit card and have analysed his latest detailed credit report compared with the credit file information Vanquis received:

- I can see that Mr S missed his first payment on his car loan towards the end of June 2019. However, Vanquis's credit check shows all these payments as having been made on time when it carried out its assessment at the beginning of July. As a credit file is not updated in real time, I can't conclude Vanquis should have realised Mr S had missed a payment;
- With regard to the short-term lending, I can see Mr S's current credit report shows eight short-term loans that were repaid in early 2019, prior to the credit card application. There is also a further short-term loan that was repaid in August 2019. None of these accounts showed in Vanquis's credit search, however:
 - Not all short-term loan providers submit data to credit reference agencies;
 - There are a number of other loans that Mr S said he repaid in May and June 2019 that also don't appear on his detailed credit report;
 - Again, there would be a delay between Mr S taking out the loans and them appearing on his credit file;
 - It appears that the short-term loan that was outstanding at the time of the credit card application was not included on his credit file until July 2020.

Vanquis was entitled to rely on the results of its credit check and, given the results, I consider it would have been unreasonable for it to have carried out the level of checks that would have been required to identify the recent short-term lending. Indeed, from the information I have seen, Mr S only had one short-term loan outstanding at the time of the credit card application.

As Mr S's credit card was approved with a modest limit of £1,000, I don't find Vanquis acted irresponsibly by doing so because:

- Mr S had sufficient income to sustainably afford the new credit card;
- All his active credit accounts were up to date, and he was committing less than 17% of his income to existing credit repayments, with one loan about to be repaid in full;
- Mr S's most recent default was over four years earlier and there was no indication of current financial difficulty.

So, in summary, I can't conclude Vanquis made an unfair lending decision with regard to the approval of the card or its credit limit.

Finally, I've also considered whether Vanquis acted unfairly or unreasonably in any other way, including whether the relationship might have been unfair 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 S or otherwise treated him unfairly in relation to this matter. 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

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 18 September 2024.

Amanda Williams
Ombudsman