

The complaint

Mr M complains that Vanquis Bank Limited lent irresponsibly when it approved his credit card application.

What happened

In April 2022 Mr M applied for a credit card with Vanquis. In his application, Mr M said he was employed full time with an income of £20,000. Mr M said he was renting at £360 a month. Vanquis carried out a credit search and found Mr M had an open current account and two active commitments for communications suppliers. No active credit commitments were found on Mr M's credit file. Defaults registered between March 2019 and January 2020 were found. Vanquis says it applied living costs to Mr M's application and calculated he had around a disposable income of £526 a month after his regular outgoings were covered. Vanquis approved Mr M's application and sent him a credit card with a £1,000 limit.

Mr M used the credit card and borrowed up to the credit limit. The account fell into arrears and in June 2022 Mr M contacted Vanquis to say he'd lost his job. No further payments were made and the account was ultimately closed at default.

Earlier this year, representatives acting on Mr M's behalf complained that Vanquis had lent irresponsibly. Vanquis didn't uphold Mr M's complaint and it was referred to this service where it was passed to an investigator. They weren't persuaded that Vanquis had failed to carry out reasonable and proportionate checks and didn't agree it lent irresponsibly. Mr M's representatives asked to appeal and said they didn't agree that Vanquis had carried out the relevant checks before approving his application. As a result, Mr M's case 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 Mr M 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.

I understand Mr M's representative's view that Vanquis failed to carry out the relevant checks, but I haven't been persuaded that's the case. I'll explain why.

When Mr M applied, Vanquis asked him to provide details of his circumstances including income and living costs. Mr M confirmed he was employed and earning £20,000 a year. Vanquis took that figure and used a net monthly income of £1,511. I'm satisfied that was a reasonable and realistic figure and wouldn't have expected Vanquis to challenge Mr M further. Mr M also confirmed he was renting at £360 and that was factored into his lending assessment by Vanquis. In addition, Vanquis applied estimated cost of living expenses to Mr M's application so it could be sure he had sufficient income available to make repayments.

Vanquis also carried out a credit search and has supplied the results. I think it's reasonable to note that Mr M had no active credit commitments at the time of his application. A current account and two communication accounts were found on Mr M's credit file. I can see that Vanquis also found Mr M had some defaults that were over a year old at the point of application. I note Mr M's representative's comments in its file submission said Mr M had County Court Judgements, but none are shown on his credit file. And I'm satisfied that Vanquis was aware of Mr M's default history and took that into account when considering his application.

I'm sorry to disappoint Mr M but I'm satisfied that the level and nature of checks Vanquis completed when considering his application were reasonable and proportionate to the type and amount of credit he was applying for. I'm satisfied that the information Vanquis obtained indicated that Mr M was able to sustainably meet repayments without causing financial harm. For the reasons noted above, I haven't been persuaded that Vanquis lent irresponsibly.

I note Mr M's representative's comments that his bank statements show he was gambling daily at the point of application. But, as noted above, I haven't been persuaded Vanquis needed to request further information in support of Mr M's application. And as Vanquis didn't have sight of Mr M's bank statements, it wouldn't have been aware of his gambling at the point of application.

In June 2022 Mr M told Vanquis that he'd lost his job. I can see that when Mr M called back in early July 2022 he provided a further update. Vanquis noted Mr M's income and circumstances had changed and ultimately as the arrears grew took the decision to terminate the account and record a default. Whilst I understand Mr M's situation changed which made the credit card unaffordable, I haven't seen anything that shows Vanquis treated him unfairly or failed to provide reasonable support whilst he was experiencing financial difficulties.

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, for the reasons I've already given, I don't think Vanquis lent irresponsibly to Mr M or otherwise treated him unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

My final decision

My decision is that I don't uphold Mr M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 2 September 2024.

Marco Manente
Ombudsman