

The complaint

Ms R complains that Vanquis Bank Limited irresponsibly lent to her.

Ms R is represented by a solicitors firm in bringing this complaint. But for ease of reading, I'll refer to any submission and comments they have made as being made by Ms R herself.

What happened

Ms R was approved for a Vanquis credit card with a £500 credit limit in June 2018. Ms R said that Vanquis irresponsibly lent to her. Ms R made a complaint to Vanquis, but as they didn't respond to her complaint, she brought her complaint to our service.

Our investigator upheld Ms R's complaint. He said that with Vanquis knowing that Ms R already had financial difficulties, he didn't think Vanquis should've approved the account. This was evidenced by her being in arrears and overlimit on one card immediately before the application, whilst showing other clear signs of not managing her current situation well, such as being in an arrangement on a live current account whilst missing payments just before on another mail order account.

He said the reality was Vanquis had visibility of this and could see that Ms R was struggling financially. As Vanquis did not respond to our investigator's view of the complaint, the complaint was passed to me to issue a decision on it.

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 approve or increase the credit available to Ms R, Vanquis needed to make proportionate checks to determine whether the credit was affordable and sustainable for her. There's no prescribed list of checks a lender should make. But the kind of things I expect lenders to consider include - but are not limited to: the type and amount of credit, the borrower's income and credit history, the amount and frequency of repayments, as well as the consumer's personal circumstances. I've listed below what checks Vanquis have done and whether I'm persuaded these checks were proportionate.

I've looked at what checks Vanquis did when initially approving Ms R's application. The checks show Ms R declared a gross annual income of £33,648, and she was employed full time.

But that's not all that the checks showed. The information from a Credit Reference Agency (CRA) showed a number of concerning things which showed Ms R appeared to be struggling financially.

Vanquis' checks showed that she had accounts which had defaulted totalling £10,500, with the last default being registered only 13 months earlier. Their checks showed that Ms R current balance of the defaults was £10,477, so it appears that Ms R could only afford to

repay £23 of the defaulted balances from the time they defaulted to when Vanquis' checks were completed – a timeframe of at least 13 months.

Vanquis' checks appear to show that Ms R was hungry for credit. The checks showed in 2018, in less than six months prior to her Vanquis account being opened, that she had opened four new accounts.

The checks showed Ms R had outstanding balances on her active unsecured debt of £9,100 prior to Vanquis approving her application. So she owed around £19,577 (the £10,477 current defaulted balances, and £9,100 active balances) to lenders. This was a high amount of the £33,648 gross income she declared. None of this balance appeared to be for personal loans which would gradually reduce over the term.

Vanquis' checks show a special indicator next to an active current account, which could be an indicator of financial difficulty. This could be that Ms R had an arrangement to pay indicator with her current account provider, although the checks don't show an outstanding balance.

Further examples of financial difficulty from the checks Vanquis completed is that she was in arrears on an active account at the time of the checks, and she was over her credit limit by £60 on that account. So if Ms R was unable to pay £60 to stay within her credit limit, then it would be doubtful she would be able to sustainably make repayments on a credit limit of £500 that Vanquis approved for her. She had also been in arrears on another account within a few months prior to the Vanquis application.

So based on all of the factors I've highlighted above, I'm not persuaded that Vanquis made a fair lending decision to approve Ms R's application. Any amount of credit was likely to be unaffordable and unsustainable based on the outcome of Vanquis' checks. So I'm not persuaded they should have approved her application due to the financial difficulties Vanquis' checks showed.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed at the end of this decision 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.

Putting things right

Our investigator has suggested that Vanquis takes the actions detailed below, which I think is reasonable in the circumstances.

My final decision

I uphold this complaint. Vanquis Bank Limited should take the following actions:

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. Vanquis should also remove all adverse information regarding this account from her credit file;

Or, if after the rework there is still an outstanding balance, Vanquis 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 consider that they are required by HM Revenue & Customs to deduct income tax from that interest, they should tell Ms R how much they've taken off. They should also give Ms R a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms R to accept or reject my decision before 20 September 2024.

Gregory Sloanes
Ombudsman