

The complaint

Mrs S complains that Vanquis Bank Limited was irresponsible in its lending to her. She wants all interest and fees charged on her account refunded along with statutory interest.

Mrs S is represented by a third party but for ease of reference I have referred to Mrs S throughout this decision.

What happened

Mrs S was provided with a Vanquis credit card in July 2019 with a £1,000 credit limit. She says that before the credit was provided adequate creditworthiness and affordability checks didn't take place.

Vanquis issued a final response to Mrs S's complaint dated 21 June 2024. It said that when Mrs S was provided with the credit card, she was given the terms and conditions and a summary document which set out the key features of the credit card, such as the interest rate and all relevant financial charges and how they would be calculated. It also said that Mrs S would have received a welcome or activation call which provided further details and the opportunity for Mrs S to ask any questions. Vanquis said the credit card had a 14-day cooling off period had Mrs S decided she didn't wish to have the card after the application process.

Vanquis said that before the credit card was provided credit scoring took place to assess Mrs S's credit stability and ability to pay. It said Mrs S declared an annual income of £14,850 and her credit check didn't raise concerns. It said that based on its checks it provided a £1,000 credit limit and this limit was never increased. It said its checks were proportionate and didn't accept that it had lent irresponsibly.

Mrs S wasn't satisfied with Vanquis' response and referred her complaint to this service.

Our investigator thought the checks Vanquis carried out before the credit card was provided were reasonable and as these didn't raise concerns about the affordability of the credit, she didn't uphold this complaint.

Mrs S didn't agree with our investigator's view.

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.

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the

total cost of the credit.

Mrs S was provided with a credit card in July 2019 with a credit limit of £1,000. This credit limit was never increased. Before the credit card was provided Vanquis gathered information about Mrs S's employment, income and residential status. Mrs S said she was working part time and had an annual income of £14,850 and that she was living with parents. A credit check was carried out which didn't show any county court judgments but did record historic defaults. The credit check also showed that Mrs S had other credit commitments.

While I note that there was adverse information recorded on Mrs S's credit file, given the defaults were over five years old and she appeared to be maintaining her credit commitments in the months leading up to the application, I do not find that the credit check results meant that the lending shouldn't have been provided or that further checks were needed. Taking into account the size of the credit limit compared to Mrs S's income and noting that she was living with parents, I find the checks carried out were proportionate.

However, just because I consider the checks to have been proportionate, this doesn't necessarily mean that the lending was responsible. To assess this, I have considered the information gained through the checks to ensure the lending was affordable for Mrs S and not irresponsible for any other reason.

Mrs S had an annual income of £14,850 giving a monthly income of around £1,236. Having looked through her credit report this showed monthly credit commitments of around £328. Mrs S didn't record any housing costs (which given she was living with parents I do not find raises concerns) and an amount was included in the assessment for Mrs S's living costs. Based on these amounts, Mrs S had sufficient monthly disposable income to meet the repayments due on a credit limit of £1,000, therefore I find it reasonable that this was considered affordable.

As I find the checks carried out before the credit card was provided were reasonable and these didn't raise concerns that the credit limit of £1,000 was unaffordable, I do not find I can say Vanquis was wrong to provide the lending.

I've also considered whether Vanquis acted unfairly or unreasonably in some other way given what Mrs S has complained about, including whether its relationship with Mrs S might have been unfair under s.140A Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Vanquis lent irresponsibly to Mrs S or otherwise treated her 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 final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 14 November 2024.

Jane Archer
Ombudsman