

## **The complaint**

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

## **What happened**

Mr C applied for a credit card with Vanquis in January 2020. In his application, Mr C said he was living with his parents with no housing costs and employed with an income of £18,000. Vanquis carried out a credit search and found Mr C had existing unsecured debts of around £24,700 with monthly payments totalling around £423. Vanquis applied estimated living costs of £448 and used a net monthly income for Mr C of £1,410. Vanquis says it found Mr C had around £358 available as disposable income once his outgoings were met. Vanquis went on to approve Mr C's credit card application with a credit limit of £1,000.

Earlier this year, representatives acting on Mr C's behalf complained that Vanquis lent irresponsibly when it approved his credit card application. Vanquis issued a final response on 9 July 2024 but didn't uphold Mr C's complaint.

An investigator at this service looked at Mr C's complaint. They thought Vanquis had carried out reasonable and proportionate checks before deciding to approve Mr C's application and didn't agree it lent irresponsibly. Mr C's representatives asked to appeal and said he had a significant level of existing debt when he made the application in January 2020. They also said Mr C had gone over the credit limit on 12 occasions after Vanquis approved his application. As Mr C's representatives asked to appeal, his complaint 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 C 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 can see that Mr C had a reasonably large amount of unsecured credit when he applied for a credit card with Vanquis. But I think it's fair to note that the majority of the outstanding balance related to a hire purchase agreement that had £23,150 outstanding at £330 a month at the point of application. Mr C had two credit cards at that point with an outstanding balance of around £750 combined and a mail order account that had a balance of £144. I've reviewed the lending assessment Vanquis completed and can see it accurately factored the ongoing costs of servicing Mr C's debts.

I note Mr C had a history of payday loans. But the previous loan was repaid in July 2019, several months before his application was made to Vanquis. And whilst I can see there was a missed payment, it appears to have been an isolated incident. I haven't seen any evidence of other missed payments or adverse credit in the information Vanquis obtained when carrying out a credit search.

In addition to looking at Mr C's income and credit file, Vanquis considered his regular outgoings. In the application Mr C didn't give any housing costs or regular living expenses. But Vanquis applied an estimated living cost of £448, in addition to the payments of £423 Mr C was making towards his existing debts. As a result, Vanquis found Mr C had a disposable income of £358 a month against an expected repayment figure of £62 for his new credit card.

Whilst I accept Mr C's existing debts were reasonably high when compared against his income and that there was some evidence of payday lending on his credit file, I haven't been persuaded that Vanquis failed to complete reasonable or proportionate checks when assessing his application for a credit card. In my view, the level and nature of checks were proportionate to the application Mr C made and the credit card with a limit of £1,000 Vanquis went on to approve.

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 C 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.

As I'm satisfied Vanquis completed proportionate checks, I haven't been persuaded it needed to request further information from Mr C before deciding to proceed. I'm sorry to disappoint Mr C but I'm satisfied the decision to approve his application was reasonable based on the information Vanquis obtained and I haven't been persuaded it lent irresponsibly. As a result, I haven't been persuaded to uphold Mr C's complaint.

### **My final decision**

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 19 November 2024.

Marco Manente  
**Ombudsman**