

The complaint

Miss K says Vanquis Bank Limited irresponsibly lent to her.

What happened

Miss K took out a credit card from Vanquis in November 2021. She was given a £250 credit limit. The account defaulted in June 2022.

Miss K says defaulting on this account has had significant negative repercussions on her financial standing. It has become evident to her that the default was a result of irresponsible lending on the part of Vanquis. Proper checks were not conducted prior to approving her application. Despite having a history of a County Court Judgment (CCJ), multiple defaults, and a very poor credit score, the bank extended credit to her without considering her ability to repay. She was not in a position to manage any additional financial obligations, and yet the bank approved her application without hesitation.

Vanquis says it completed adequate checks that showed a modest £250 limit would be affordable for Miss K.

Our investigator did not uphold Miss K's complaint. She said Vanquis' checks were proportionate and it made a fair lending decision based on the information it gathered.

Miss K disagreed and asked for an ombudsman's review. She said, in summary, the lending was unaffordable and should not have been approved. She asks that the default is removed from her credit file. She says Vanquis may have carried out an income verification, credit check, and income and expenditure assessment, but these checks failed to properly account for her overall financial situation at the time. Six historical defaults and a more recent CCJ, even if satisfied, indicated a level of financial vulnerability. They were not adequately considered when determining whether the credit card was affordable. Her available income was significantly less than the amount Vanquis calculated.

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.

Vanquis will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint about unaffordable and irresponsible lending. So, I don't consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

To decide if Vanquis lent responsibly I need to consider if its checks were proportionate; if not what would better checks most likely have shown; did it make a fair lending decision; and finally, did it treat Miss K unfairly in some other way.

I can see Vanquis asked for certain information from Miss K when she applied – this included income and employment status. It verified her income through a current account

turnover check at one of the credit reference agencies. It made an assumption about her living costs based on publicly available information. It carried out a credit check to understand her credit commitments and credit history. From these checks combined Vanquis concluded Miss K could afford a card with a credit limit of £250.

I think these checks were proportionate given the credit offered, Miss K's income and the stage in the lending relationship. And I think Vanquis made a fair lending decision based on the information it gathered. I'll explain why.

Miss K declared an annual income of £33,500 that Vanquis was able to verify. This meant she had a net monthly income of around £2,203. The credit checks showed she had £489 of active debt across two revolving accounts that were both up-to-date. She had one missed payment in the last three months but had made all other payments on time in the last 12 months.

She did have six accounts that had defaulted but the most recent was 51 months prior. There was also a CCJ that had been registered against Miss K 43 months prior. It had been satisfied in April 2021. So whilst there was adverse data for Vanquis to consider I find it was historic enough that it need not have prevented Miss K having access to a small line of credit. Her active credit was minimal and well-managed. Vanquis allowed for Miss K to spend £22 on her active cards – arguably it ought to have been 5% of her total balances (£24.45) but this does not make a material difference to the affordability assessment. It allocated 8% of the total limit (£21) for the repayment cost of this new card. This was reasonable.

Vanquis also considered Miss K's non-discretionary expenses using both national statistics and modelled averages. Both data sets showed Miss K would have ample disposable income to take on this card. I know Miss K feels strongly that it was not enough to use averages and statistics as they did not reflect her actual situation. But I do not think it would have been proportionate for Vanquis to carry out a fuller financial review using, say, her bank statements.

I have thought carefully about Miss K's comments about her financial history, but I think it was reasonable for Vanquis to conclude her financial instability had passed given how long ago the adverse events occurred. Her current level of debt was low and well-managed and her income to debt ratio was very low. I appreciate she was still repaying some of the defaulted debts but from the proportionate checks Vanquis completed it seems she would have had the disposable income to continue to do so.

It follows I do not find Vanquis was wrong to lend to Miss K.

I've also considered 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 Miss K 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

I am not upholding Miss K's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss K to accept or reject my decision before 15 November 2024.

Rebecca Connelley
Ombudsman