

The complaint

Miss T complains that Vanquis Bank Limited trading as Vanquis (Vanquis) lent to her irresponsibly.

What happened

In February 2023, Vanquis agreed to provide a credit card to Miss T with a limit of £1,000.

Miss T complains that the firm couldn't have completed the necessary checks and it was irresponsible lending. The balance was paid off and the account closed in March 2024. She said:

- She had seven other credit agreements running at the time, with balances of £11,500.
- She had missed a payment to a credit card in January 2023.
- She opened two new agreements in the three months prior to the Vanquis card being issued.
- After the Vanquis card was agreed, she incurred nine late payments on various credit agreements during the following 12 months.
- She had to borrow more money after taking the Vanquis card - so that showed she was dependent on borrowing.

Miss T says Vanquis should refund all interest and fees she paid plus 8% per annum interest on the amount refunded.

Vanquis said:

- In her application, Miss T said she earned £1,988 per month (net of tax).
- Her outgoings were £909 per month (including credit payments), so she had £299 left over to make the payments to Vanquis.
- Vanquis said there was no reason not to give her the credit card and declined the complaint.

Miss T brought her complaint to us and our investigator didn't uphold it. Based on everything he saw, Miss T had sufficient disposable income to meet the new payments to the Vanquis card. He considered Vanquis did enough checks.

Miss T didn't agree. She said she'd used another credit card for a cash advance – a sign she was struggling to make ends meet. And she had taken out new credit of £1,500 with a lender in January 2023 – another sign she wasn't managing her finances well.

Miss T asked that an ombudsman look at her complaint and so it has come to me to make a

final 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.

All lenders have an obligation to lend money responsibly. We have to check whether Vanquis acted in line within the Financial Conduct Authority (FCA) rules on creditworthiness assessment as set out in its handbook, (CONC) section 5.2. These say that a firm must undertake a reasonable assessment of creditworthiness, considering both the risk to it of the customer not making the repayments, as well as the risk to the customer of not being able to make repayments. We look at:

- Whether the lender completed reasonable and proportionate checks to satisfy itself that the borrower would be able to repay any credit in a sustainable way?
- If reasonable and proportionate checks were completed, did the lender make a fair lending decision bearing in mind the information gathered and what the lender knew about the borrower's circumstances?
- And a reasonable and proportionate check would usually need to be *more* thorough:
 - the lower a customer's income, and the higher amount to be repaid.
 - the greater the number of loans and frequency of loans.
 - the longer the term of the loans

It's important to note that the checks must be proportionate to the amount being lent – so the higher the amount, the greater the checks must be, and the lower the amount, then fewer checks can be made.

And as regards the final point – it's reasonable for me to say the new limit of £1,000 was a low one.

I looked at the checks Vanquis carried out. They could see that Miss T had income of (net) £1,998 per month and outgoings of £909. That left £299 each month. The new payments on the Vanquis card were assumed to be £47 per month – so the firm worked out she could afford the card and its credit limit.

Miss T has argued that she had other commitments at the time which Vanquis should've seen and this would've caused the firm to decline to lend the money. I looked at these points.

I can see from Miss T's credit file (and can also see that Vanquis saw the same information) that Miss T did have a number of other credit agreements running. She took out a loan for £9,763 in June 2022 and as at February 2023 (the time of the application to Vanquis), the balance was £8,500.

But equally, I can also see that she had made all the payments to the loan satisfactorily – so this was a sign to Vanquis that she was paying her way. I can see that it was later on – in August 2023 – that she fell into arrears on this loan.

I can also see that payments to her other credit agreements were also being made - so Vanquis could see that as well.

There had been one default for £435 in September 2021 – but this was 18 months before the application to Vanquis, which was a good while before.

I can see there was one missed payment to a credit card in January 2023 – which Vanquis would've have also seen. But in its own, I don't think that one missed payment should've caused Vanquis to decline to issue the card - especially as the limit was a low one (£1,000).

I further considered the point Miss T has made – about the new limit of £1,500 taken out in January 2023 with another lender. But I don't think this was a significant amount of money for Vanquis to be concerned about - when looked at in the context of everything else the firm could see about Miss T's circumstances.

I can see that Miss T's problems appeared after the Vanquis card was issued – she made a number of late payments to Vanquis, and there were some missed payments to her other lenders. But these all came after the Vanquis card was issued. And I can't expect the firm to have known that was to happen – we can only check they carried out the necessary checks and made a reasonable lending decision at the time of the application.

Therefore, having reviewed Miss T's complaint, I'm satisfied that Vanquis completed the necessary and proportionate checks to agree to the new credit card, and I am not asking the firm to do anything here.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss T to accept or reject my decision before 18 November 2024.

Martin Lord
Ombudsman