

The complaint

Mrs B says Vanquis Bank Limited irresponsibly lent to her.

What happened

Mrs B took out a loan for £4,000 over 48 months on 16 February 2023. The monthly repayments were £117.84 and the total repayable was £5,656.32.

Mrs B says Vanquis should have never allowed her to open the loan account. If it had checked her credit record it would have seen she had recent missed payments and defaults. This should have warned it that she was struggling with her finances. It should have also considered she would retire during the term of the loan. It has made her financial position worse causing stress and anxiety.

Vanquis says it completed adequate checks that showed the loan would be affordable.

Our investigator did not uphold Mrs B's complaint. She said Vanquis completed proportionate checks and made a fair lending decision based on the information it saw. Mrs B disagreed with this assessment and asked for an ombudsman's review.

I issued a provisional decision on 17 September 2024. I found that Vanquis' checks were not proportionate given what it knew about Mrs B's circumstances. The credit check showed Mrs B had defaulted on eight accounts and whilst the most recent was 35 months old she was still repaying £14,000 of defaulted debt. There were also more recent missed payments. In addition, Mrs B would reach state retirement age during the term of the loan so Vanquis needed to understand how this would impact her income.

I said it needed to carry out a fuller financial review and explained that we typically review bank statements for the three months prior to application to understand what a lender would most likely have learnt had it carried out proportionate checks. In this case it also needed to ask Mrs B about her income post-retirement. At the time I did not have sight of Mrs B's bank statements so I could not conclude Vanquis had lent unfairly.

In response to my provisional decision Mrs B sent in her bank statements for November and December 2022 and January 2023, as well as details of her income from January 2025 onwards. These allowed me to relook at Mrs B's complaint. I then reached a different conclusion so I issued a second provisional decision. An extract follows and forms part of this final decision. I asked both parties to send any comment by 16 October 2024.

Extract from my second provisional decision

As I said previously, Vanquis gathered certain information before lending to Mrs B. It asked about her income and expenditure. It completed a credit check with an external agency. It asked about the purpose of the loan which was home improvements. From these checks it concluded she had £489 disposable income each month and so could afford the loan.

I found these checks were not proportionate for the reasons set out above.

I have now reviewed Mrs B's bank statements. These show her actual average monthly income was £1,817 – so £313 lower than Vanquis used in its affordability assessment. Based on this discrepancy alone Vanquis would have seen that Mrs B did not have the disposable income it had calculated. Her statements also show a persistent reliance on her overdraft facility and this loan was not for debt consolidation to repay that facility. Mrs B was clearly already struggling to manage her money, and in essence she would be borrowing via her overdraft to repay this loan. In addition Mrs B has confirmed her income from January 2025 onwards will fall to around £1,215 a month from her state and private pensions, making this loan even more unaffordable.

In the round I think better checks would have shown Vanquis that Mrs B could not sustainably repay this loan. It follows I think Vanquis was wrong to lend to Mrs B.

I then set out what Vanquis would need to do to put things right.

Neither party responded to my provisional 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.

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.

As neither party sent in any comments in response to my second provisional decision I have no reason to change the findings or conclusion set out there.

It follows for the reasons set out above I find Vanquis was wrong to lend to Mrs B.

Putting things right

It is reasonable that Mrs B repay the capital she borrowed as she has had the benefit of that money. But she has paid interest and charges on a loan that should not have been given.

So Vanquis will have to:

- Refund/remove all interest and charges and treat all repayments Mrs B made as repayments of the capital.
- If this results in any overpayment this should be refunded to Mrs B along with 8% simple interest (calculated from the date the overpayments were made to the date of settlement)*.
- If this results in there being an outstanding capital balance Vanquis must agree an affordable repayment plan with Mrs B, treating her fairly and with forbearance if appropriate.
- Remove any adverse information from Mrs B's credit file once any outstanding capital balance has been repaid.

*HM Revenue & Customs requires Vanquis to take off tax from this interest. Vanquis must give Mrs B a certificate showing how much tax it's taken off if she asks for one. If it intends to use any refund to reduce the capital balance outstanding it must do so after deducting tax.

I've also considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed above results in fair compensation for Mrs B 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.

My final decision

I am upholding Mrs B's complaint. Vanquis Bank Limited must now put things right as set out above.

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

Rebecca Connelley
Ombudsman