

The complaint

Mr H complains that Vanquis Bank Limited was irresponsible in its lending to him. He wants all interest, fees and charges refunded plus statutory interest and any adverse information removed from his credit file.

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

What happened

Mr H was provided with a Vanquis credit card account in May 2022 with a credit limit of £500. He says that reasonable and proportionate checks weren't carried out before the lending was agreed and that he had several other unsecured debts at the time and had missed payments on his accounts. He said he wasn't asked for proof of his income and the credit wasn't affordable. He says this lending has adversely affected his credit rating and caused him stress.

Vanquis issued a final response to Mr H's complaint dated 12 July 2024. It said that Mr H's account was opened in May 2022 at which time he declared an annual personal income of £14,760. It carried out a credit check which showed no county court judgements against Mr H and no defaulted accounts for 42 months. Mr H's external non-mortgage lending was shown as £500. It said that adequate checks were undertaken, and these showed the credit to be affordable.

Vanquis said that Mr H was provided with clear information about the terms of the credit facility and was issued with a welcome pack which highlighted the account's key features. It said had he wished not to continue with the agreement after receiving the information he could have exercised his right to withdraw.

Mr H referred his complaint to this service.

Our investigator considered the checks carried out before Mr H was provided with the credit card account and she thought these were proportionate. She said based on these checks the credit was affordable. She noted Mr H's comment about his financial unsophistication but said that the pre-contract credit information provided the key terms and conditions of the agreement such as the interest rate, credit limit and charges and had Mr H not been happy with these he had 14 days in which to withdraw from the agreement. She said there was nothing to show that Mr H had made Vanquis aware of any additional needs he had in regard to the communication.

Our investigator noted that there was contact between Vanquis and Mr H in March 2023 following a missed payment. Mr H said he could afford to make payments of £5, and a payment plan was set up for this amount. Mr H then received a default notice in June 2023 and contacted Vanquis about this. He was told he could continue to pay £5 if this was what he could afford, and his payment plan continued. She thought this was reasonable.

Based on the above, our investigator didn't uphold this complaint.

Mr H didn't agree with our investigator's view. He said that his bank statements from the time of his credit application showed he was gambling and had this been checked it would have shown that any additional credit would add to his financial strain. He also said he was unemployed and reliant on benefits providing him with a limited income which wasn't enough to sustain further debt.

Our investigator responded to Mr H's comments. She reiterated that she thought the checks carried out before the credit card account was provided were proportionate given the amount of credit being provided. Therefore, she wouldn't have expected Vanquis to request copies of Mr H's bank statements and so it wouldn't have been aware of his gambling. She said it would have been unfair to have refused Mr H credit because his income was from benefits.

As a resolution hasn't been agreed, this complaint has been passed to me, an ombudsman, to issue 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.

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.

Mr H was provided with a Vanquis credit card account in May 2022 with a credit limit of £500. As part of the application process Mr H was asked about his employment and income and he said that he was unemployed with a net monthly income of £1,230. He was asked about his housing costs and living costs and he declared monthly costs of £322 and £205 respectively. Vanquis also used data to calculate Mr H's living costs and recorded an amount of £408. A credit check was undertaken which showed Mr H had outstanding balances totalling £500 as well as an outstanding default. The default was recorded 42 months prior. Mr H had five active accounts including one credit card account. His credit check showed his active accounts were up to date.

I note Mr H's comment about his income being from benefits, but this doesn't mean that the lending shouldn't have been provided. Benefit receipts are a source of income, and it is reasonable that these would be used in affordability calculations. Mr H wasn't asked to provide evidence of his income and Vanquis has said that it doesn't request income evidence prior to applications such as bank statements or payslips and it was Mr H's responsibility to ensure the information provided was accurate. While in certain circumstances we would expect a customer's income to be verified, noting the information Mr H provided didn't seem unreasonable and considering the size of the credit limit being provided and the repayments that would be required on this, I do not find that Vanquis was required to verify Mr H's income in this case.

Information was also gathered about Mr H's housing and living costs and a calculated amount for living costs was also considered. The credit check showed that Mr H had experienced historic financial issues. But as Mr H was up to date on his active accounts, there were no recent signs that he was struggling to manage his commitments, and he had limited other debts, I do not find that the credit check results meant further questions needed

to be asked. Taking all of this into account, and given the amount of credit being provided, I think the checks undertaken before the credit card account was provided were reasonable. As these suggested the lending to be affordable, I do not find I can say Vanquis was wrong to provide Mr H with the account with a £500 credit limit.

Mr H has said that he was gambling at the time. However, I have nothing to show that Mr H made Vanquis aware of this and as I think the checks carried out were reasonable I do not think that Vanquis was required to request the evidence that would have alerted it to this issue.

Mr H has also said that he was financially unsophisticated. I have considered this but I have nothing to show that he made Vanquis aware of any additional support he needed. He was provided with information at the time of his application that clearly explained the key terms of the agreement and also that he had 14 days to withdraw had he decided after further consideration that the credit wasn't suitable. Therefore I do not find I can say that Vanquis was required to do anything different to its usual process in response to Mr H's application.

Mr H has experienced financial issues since he was provided with the credit card account. He was in contact with Vanquis in March 2023, at which point a repayment plan was agreed. I find this a reasonable response to the issues Mr H raised. Mr H was then in touch with Vanquis again in June 2023, and was given advice about how to avoid a default and that while he could continue to make his payments under the repayment plan, his account could still be defaulted if not brought up to date. I find he was provided with the information he needed at that time. So, based on the evidence I have seen I find that Vanquis has treated Mr H fairly when he has discussed his financial issues.

Taking all of the above into account, I do not find I can say Vanquis did anything wrong by providing Mr H with a credit card account in May 2022 with a £500 credit limit.

I've also considered whether Vanquis acted unfairly or unreasonably in some other way, including whether its relationship with Mr H might have been unfair under Section 140A Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Vanquis lent irresponsibly to Mr H or otherwise treated him 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 Mr H to accept or reject my decision before 2 January 2025.

Jane Archer
Ombudsman