

The complaint

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

What happened

Mr B applied for a credit card with Vanquis in January 2020. In his application, Mr B said he was employed with an income of £40,234 a year. Mr B also said he had housing costs of £219 a month. Vanquis carried out a credit search and found Mr B had around £11,700 in other unsecured debt and a mortgage of £94,870. Vanquis says Mr B was making monthly repayments totalling £352 to his unsecured creditors. Some missed payments were found on one of Mr B's credit card accounts but the two most recent payments were recorded as being made on time. There were no active arrears found at the point of application. Vanquis has also confirmed no defaults, County Court Judgements or other adverse information was found on Mr B's credit file.

Vanquis applied housing costs of £219 (around half of the mortgage payment it found on Mr B's credit file), £352 to cover his existing credit commitments and £945 for essential living expenses. Vanquis also applied monthly repayments of £59 for its new credit card and a £153 buffer for unexpected costs. Vanquis calculated Mr B had £847 a month left as disposable income once his commitments and new credit card with it were paid. Vanquis approved Mr B's application and sent him a credit card with a limit of £1,000.

Earlier this year, representatives acting on Mr B's behalf complained that Vanquis lent irresponsibly. Vanquis issued a final response on 17 April 2024 but didn't uphold Mr B's complaint. Vanquis said Mr B's credit card had been approved following a review of his application information and credit file. Vanquis confirmed the necessary checks had been completed and didn't agree it lent irresponsibly.

An investigator at this service looked at Mr B's complaint. They thought Vanquis had completed reasonable and proportionate checks before deciding to proceed and didn't uphold Mr B's complaint. Mr B asked to appeal, so 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 B 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.

In his application, Mr B provided information about his circumstances including his monthly housing costs of £219 and income of £40,234. Vanquis also carried out a credit search to get a picture of how much Mr B owed and his monthly repayments. Vanquis found Mr B owed £11,700 at the point of his application with monthly repayments of around £352. I can see Mr B has some missed payments but all his accounts were up to date in the months before his application was made and no other adverse information was found.

Vanquis also applied an estimate of Mr B's general living expenses of £945 a month. I'm satisfied that was a reasonable estimate of Mr B's outgoings. I also note Vanquis applied a buffer of £59 a month along with expected repayments of £59 for its new credit card to its lending assessment. Taking all the above into account, Vanquis calculated Mr B had £847 a month available as disposable income when his existing outgoings and new credit card payments were met.

Overall, I'm satisfied that Vanquis completed reasonable and proportionate checks before approving Mr B's credit card application. I understand Mr B's told us he was gambling consistently around this time, but as I haven't been persuaded Vanquis needed to request further evidence, like his bank statements, it wouldn't have been aware of that. I'm sorry to disappoint Mr B but I'm satisfied the decision to approve his application was reasonable based on the information he provided and Vanquis obtained. I haven't been persuaded Vanquis lent irresponsibly when it approved a credit card with a limit of £1,000.

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 B 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.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 2 January 2025.

Marco Manente
Ombudsman