

The complaint

Ms F complains that Vanquis Bank Limited lent irresponsibly when it approved her credit card application.

What happened

In March 2019 Ms F applied for a credit card with Vanquis. In her application, Ms F said she was employed with an income of £31,500 a year with around £2,068 a month after deductions. Vanquis says Ms F also said she was renting at £400 a month. Vanquis applied an estimate of Ms F's living expenses at £587 a month. Vanquis also carried out a credit search and found Ms F owed around £100 to other creditors at the time. Ms F's credit file also showed she had a history of defaulting debts.

Vanquis applied its lending criteria to Ms F's application and said she would've had around £1,070 a month left as disposable income and approved a credit card with a limit of £500.

Ms F quickly borrowed to the credit limit. Three months after the credit card was approved, Ms F started to incur late payment and overlimit fees. The card was closed in 2020 when Ms F entered into an IVA.

Earlier this year, representatives acting on Ms F's behalf complained that Vanquis lent irresponsibly. Vanquis issued a final response on 4 June 2024 but didn't uphold Ms F's complaint. Vanquis said it had carried out the relevant lending checks and didn't agree it lent irresponsibly.

An investigator at this service looked at Ms F's complaint. They explained the Financial Ombudsman Service was unable to consider a complaint Ms F made about a credit card provided by Vanquis in 2009 due to the length of time that had passed. Ms F's representatives confirmed they understood and accepted. The investigator upheld Ms F's complaint about the credit card she applied for in March 2019. The investigator thought the level of defaults shown on Ms F's credit file should've shown Vanquis she had difficulties maintaining credit, even in small amounts, and caused it to decline the application. Vanquis responded to say it didn't see any reason to uphold Ms F's complaint. As Vanquis didn't accept the investigator's view of Ms F's complaint it's 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.

Ms F's representatives have already confirmed they understand why the Financial Ombudsman Service can't consider her complaint about the credit card Vanquis provided in 2009 so I'm not going to comment further on that point.

Before agreeing to lend, the rules say Vanquis had to complete reasonable and proportionate checks to ensure Ms F 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.

I've looked at the information Vanquis obtained when Ms F made her application. I can see Ms F provided details of her income and rent that was factored into Vanquis' lending assessment. And I can see Vanquis made an estimate of Ms F's other living expenses and applied them to its application. In terms of the affordability calculations Vanquis completed, the new credit card appeared affordable on the basis Ms F had a reasonable disposable income.

The issue I have is that Ms F's credit file paints a very different picture to the information included in the application. The credit file shows Ms F had a history of defaulting debts. There is a £792 default to a mail order company, £63 default to a communications supplier, £14 default to another communications supplier and £88 default to a third communications supplier. Another default of £870 was recorded by a business that provides home credit. The defaults were applied between January 2014 with the two most recent defaults being recorded in April and May 2018, less than a year before Ms F's application to Vanquis was made. I note Vanquis' lending assessment used a figure of £100 for Ms F's open credit, but the only repayments I can see she was making at the time were for £75 in relation to the home credit default of £870.

I am aware that Vanquis is a "second chance lender" so is willing to consider applications from customers with some credit difficulties in their past. But, except for one settled communications account from 2013, an active current account (with no overdraft) and mobile phone contract, all Ms F's previous credit commitments were closed at default. That indicates Ms F had a reasonably extensive history of difficulties maintaining credit payments over a sustained period of several years.

There are occasions where I would say that a lender needed to carry out better checks, like reviewing a customer's bank statements, before deciding whether to approve an application. But here I think the fact that five out of Ms F's six closed credit commitments on her credit file were defaulted should've made it clear to Vanquis she was very unlikely to have been in a position to sustainably afford repayments to a new credit card with a limit of £500. I'm satisfied the information Vanquis obtained should've been sufficient to decline Ms F's application. As a result, I'm going to uphold Ms F's complaint and direct Vanquis to refund any interest, fees and charges applied to the account.

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, I'm satisfied the redress I have directed below results in fair compensation for Ms F 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

My decision is that I uphold Ms F's complaint and direct Vanquis Bank Limited to settle as follows:

- Rework the account removing all interest, fees, charges and insurances (not already refunded) that have been applied
- If the rework results in a credit balance, this should be refunded to Ms F along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement. Vanquis should also remove all adverse information regarding this account from Ms F's credit file
- Or, if after the rework there is still an outstanding balance, Vanquis should arrange an affordable repayment plan with Ms F for the remaining amount. Once Ms F has cleared the balance, any adverse information in relation to the account should be removed from their credit file

*HM Revenue & Customs requires Vanquis to deduct tax from any award of interest. It must give Ms F a certificate showing how much tax has been taken off if she asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms F to accept or reject my decision before 7 February 2025.

Marco Manente
Ombudsman