

The complaint

Miss D complains that Vanquis Bank Limited lent irresponsibly when it approved her credit card application.

What happened

Miss D applied for a credit card with Vanquis in June 2018. In Miss D's application she said she was employed with an income of £17,000 a year. Vanquis carried out a credit search and found Miss D owed £35 on a mail order account and was overdrawn by £35. Vanquis also found a default from September 2015 of £3,012 that Miss D was making monthly repayments of £144 to. No other open accounts or adverse credit were found on Miss D's credit file.

Vanquis says it applied its lending criteria to Miss D's application information and issued a credit card with a limit of £150. Miss D has used the credit card since that time without incurring any late fees. No credit limit increases have been approved and it remains at £150.

In November 2023, representatives acting on Miss D's behalf complained that Vanquis lent irresponsibly when it approved her credit card application. Vanquis issued a final response on 22 March 2024 but didn't uphold Miss D's complaint. Vanquis said it had carried out the relevant lending checks before approving the credit card and didn't agree it lent irresponsibly.

Miss D's complaint was referred to this service and passed to an investigator. They weren't persuaded that Vanquis had failed to carry out reasonable and proportionate checks before deciding whether to approve Miss D's application and didn't agree it lent irresponsibly by approving a credit card with a limit of £150. Miss D's representatives asked to appeal, so her 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 Miss D 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.

Vanquis has provided the details Miss D submitted in her application and the information it found on her credit file. I can see Miss D confirmed she was earning £17,000 a year and was employed full time. I'm satisfied that was a reasonable income for Vanquis to use when assessing Miss D's application. I can see Vanquis' final response said Miss D owed £4,956 to existing lenders at the point of application. But the credit file data provided from June 2018 doesn't show that. The credit file data shows Miss D had a defaulted loan account from September 2015 that had £3,012 outstanding with monthly repayments of £144. The credit file information showed Miss D had two active accounts. One mail order account with an outstanding balance of £35. And Miss D had a current account with an unarranged overdraft of £35. There were no other recent missed payments or adverse credit recorded.

I accept Miss D's credit file showed she was in an unarranged overdraft of £35, but there were no other arrears recorded on her credit file in relation to the current account. And Vanquis has confirmed it's a "second chance lender" and factored in the information it found on Miss D's credit file into its lending assessment. I'm satisfied that's the case.

Vanquis hasn't supplied us with the outgoings it applied to Miss D's application. But I think it's reasonable to note that the credit limit Vanquis approved was low at £150. Miss D told Vanquis she was earning £17,000 a year and, as noted above, I'm satisfied it was aware of how much she owed to her existing creditors and how much she was paying each month. Even if Miss D were to borrow the maximum available of £150, the highest repayment she'd have had to make to repay the balance in full was £150. I'm satisfied Miss D's income was sufficient to sustainably make repayments to a new credit card with a limit of £150.

In my view, the nature and level of checks Vanquis completed were reasonable and proportionate to the application Miss D made and the credit card of £150 it went on to approve. And I haven't seen anything that would've indicated Miss D wasn't able to sustainably afford repayments to a credit card with a limit of £150. I'm sorry to disappoint Miss D but I haven't been persuaded Vanquis lent irresponsibly or treated her unfairly.

I can see Vanquis took longer than the standard eight weeks allowed to respond to Miss D's complaint. I appreciate that was inconvenient. But I think it's reasonable to note Miss D's representatives were dealing with the matter for her at this time and I haven't seen anything that shows she was caused an unreasonable level of distress or inconvenience as a result.

I've thought about whether Vanquis treated Miss D unfairly in some other way. I've looked at Miss D's account history and contact notes. I can see Miss D was charged one overlimit fee in 2018 but no other fees or charges have been applied since that point. I haven't seen anything that shows Vanquis failed to treat Miss D fairly or failed to recognise signs of financial difficulty or that she was struggling.

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 Miss D or otherwise treated her 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 Miss D's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms D to accept or reject my decision before 17 January 2025.

Marco Manente
Ombudsman