

The complaint

Mr H has complained about a credit card he took out in February 2023 with Vanquis Bank Limited. He's said the credit card was unaffordable and shouldn't have been approved.

What happened

Mr H took out this Vanquis credit card account in February 2023 with a credit limit of £1,000. Due to arrears on the account, Vanquis issued a Notice of Default and the debt was then sold to a third-party company in May 2024.

Mr H complained to Vanquis to say the credit card should never have been provided to him. Our Investigator didn't uphold the complaint. She thought Vanquis had carried out reasonable and proportionate affordability checks, and Vanquis made a fair decision to lend to Mr H. Mr H didn't agree, so the complaint has been passed to me to decide.

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.

The Financial Conduct Authority (FCA) sets out in a part of its handbook known as CONC what lenders must do when deciding whether or not to lend to a consumer. In summary, a firm must consider a customer's ability to make repayments under the agreement without having to borrow further to meet repayments or default on other obligations, and without the repayments having a significant adverse impact on the customer's financial situation. CONC says a firm must carry out checks which are proportionate to the individual circumstances of each case. What is proportionate will vary with each lending decision and considers things such as (but not limited to): the amount of credit, the size of the repayments, the cost of the credit, the purpose the credit was taken out for and the consumer's circumstances.

What's important to note is that Mr H was provided with a revolving credit facility rather than a loan. And this means that Vanquis was required to understand whether a credit limit of £1,000 could be repaid within a reasonable period of time, rather than all in one go. A credit limit of £1,000 didn't require huge monthly payments in order to clear the full amount owed within a reasonable period of time.

Vanquis asked Mr H for information when he applied for this credit card in 2023, including his income. Vanquis also obtained a credit report for Mr H in order to establish what his current credit commitments were and how he'd been managing those. He declared on the application he had an income of £23,000, and he said he had no housing costs and no dependents. His active credit commitments were shown to be a hire purchase agreement which he'd taken out in 2020 that had a monthly payment of £328, two credit cards with a total outstanding balance of £6,485 (against a total credit limit of £7,150) and two mail order accounts with a total outstanding balance of £363 (against a total credit limit of £1,200). Although Mr H had a default, that dated back to 2018, and he'd had no recent missed payments reported on his credit agreements, with the last being in early 2020.

Having completed the checks, Vanquis decided Mr H could afford a credit limit of £1,000. I think these checks were proportionate given the credit offered and Mr H's circumstances.

I also think that Vanquis made a fair lending decision in the circumstances too. At the time Mr H had £8,350 of revolving credit available (across his credit cards and mail order accounts) and he was using around £6,848 of it. The only other outstanding debt Mr H had was a hire purchase agreement he had held since 2020 which had an outstanding balance of around £12,100. Whilst the hire purchase seems a large sum, it isn't unusual for someone to take out finance like that to purchase a more expensive asset, such as a car, so isn't indicative of any financial difficulties.

As I said, whilst Mr H did have a default in the past, that had been recorded over five years earlier and would not make Vanquis' decision to lend wrong or unaffordable. Mr H has also said that Vanquis should have taken into account that he'd previously had a Vanquis credit card and had got into difficulties with it. But that had been taken out in 2010 and it was defaulted in 2012. As that was over ten years before this card was taken out I don't feel it should have had any bearing on Vanquis' decision to lend in 2023. Just because a consumer has historically had financial difficulties it does not mean that they should never again be offered credit. If that consumer has been able to stabilise their financial position and can afford the finance, then it would be inappropriate for a lender to refuse credit simply because there had been a problem in the past. Overall, I am not persuaded that the historical adverse data on Mr H's credit file, and his problems with a Vanquis credit card many years earlier, was reason to prevent him from having a modest line of credit.

Overall, I am not persuaded that Vanquis lent to Mr H in an irresponsible manner or that it treated him unfairly. In reaching my conclusions, I've also considered whether the lending relationship between Vanquis and Mr H might have been unfair to Mr H under section 140A of the Consumer Credit Act 1974. However, for the reasons I've explained, I don't think Vanquis irresponsibly lent to Mr H or otherwise treated him unfairly in relation to this matter. And 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. I'm therefore not upholding Mr H's complaint.

I appreciate this is likely to be very disappointing for Mr H but I hope he'll understand the reasons for my decision.

My final decision

I don't 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 11 April 2025.

Julia Meadows

Ombudsman