

The complaint

Mr C complains that Vanquis Bank Limited irresponsibly lent to him.

What happened

Mr C was approved for a Vanquis credit card in January 2023 with a £2,000 credit limit. Mr C says that Vanquis irresponsibly lent to him, especially due to his account management on an account he previously held with them. Mr C made a complaint to Vanquis, who did not uphold his complaint. Vanquis said appropriate checks were made which were proportionate to the amount of credit being granted. Mr C brought his complaint to our service.

Our investigator did not uphold Mr C's complaint. She said that Vanquis made a fair lending decision. Mr C asked for an ombudsman to review his complaint. He said he found it staggering that with Vanquis partially settling then closing his account five years prior to the acceptance of this credit card was not significant in them lending irresponsibly, and they shouldn't have been allowed to open the new account.

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 approve the credit available to Mr C, Vanquis needed to make proportionate checks to determine whether the credit was affordable and sustainable for him. There's no prescribed list of checks a lender should make. But the kind of things I expect lenders to consider include - but are not limited to: the type and amount of credit, the borrower's income and credit history, the amount and frequency of repayments, as well as the consumer's personal circumstances. I've listed below what checks Vanquis have done and whether I'm persuaded these checks were proportionate.

I've looked at what checks Vanquis said they did when initially approving Mr C's application. Vanquis said they completed a credit check with a Credit Reference Agency (CRA) and information that Mr C had provided before approving his application.

The information showed that Mr C declared a gross annual income of £23,500. The checks showed that Mr C had partially settled an account in February 2018, which was nearly five years prior to Mr C's application for this Vanquis credit card. And Vanquis would be aware of how Mr C utilised any accounts he held with them in the past. But as this was nearly five years prior to his application, I'm not persuaded that this should automatically result in his application being declined, as his financial circumstances could have changed since this time.

The data showed that Mr C had no accounts in arrears at the time the CRA completed the checks. He had active outstanding balances of £4,620, but this was over two accounts – a personal loan and a credit card. The CRA had reported the monthly repayment on Mr C's loan to Vanquis, so they would have been aware of what he was paying each month for this,

and the CRA reported that Mr C was using less than a third of his credit limit on his credit card.

Vanquis also completed an affordability calculation based on the information Mr C gave them, and the information from the CRA. The calculation took into account Mr C's credit commitments, and Mr C's household expenditure. It also took into account repayments for his new Vanquis credit card. The calculation showed Mr C would still have disposable income remaining after his outgoings had been paid.

The data showed that Mr C intended to complete a balance transfer on the account. So if Mr C did do this (which his later transactions showed he did), then Mr C may also have saved interest which he may have been charged on his credit card he was transferring a balance to.

The checks from the CRA showed that Mr C had no defaults showing on his credit file at that time, and no County Court Judgements (CCJ's). So based on these factors, it wouldn't be proportionate for Vanquis to complete any further checks even if Mr C had financial difficulty previously, as it would appear, based on the information the checks showed, that his financial situation had improved since then.

So I'm persuaded that the checks Vanquis carried out were proportionate for the amount of credit they approved for Mr C, and I'm persuaded they made a fair lending decision to approve his application.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I can't conclude that Vanquis lent irresponsibly to Mr C 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. So it follows I don't require Vanquis to do anything further.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 6 March 2025.

Gregory Sloanes
Ombudsman