

The complaint

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

Mr V is represented by a solicitor's firm in bringing this complaint. But for ease of reading, I'll refer to any submission and comments they have made as being made by Mr V himself.

What happened

Mr V was approved for a Vanquis credit card in October 2017 with a £500 credit limit. Mr V says that Vanquis irresponsibly lent to him, and he made a complaint to Vanquis, who did not uphold his complaint as they said it was time barred. Mr V brought his complaint to our service. Vanquis gave our service consent to consider the merits of Mr V's complaint. Vanquis said appropriate checks were made which were proportionate to the amount of credit being granted.

Our investigator did not uphold Mr V's complaint. He said that Vanquis made a fair lending decision. Mr V asked for an ombudsman to review his complaint. He said given his external debt, and him having a default only nine months prior to the application, it was not responsible for Vanquis to lend to him.

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 V, 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 V's application. Vanquis said they completed a credit check with a Credit Reference Agency (CRA) and information that Mr V had provided them before approving his application.

The information showed that Mr V declared a gross annual income of £27,500. But the information also showed Mr V had previously defaulted on a credit agreement, with the last default being registered nine months prior to his application. It may help to explain here that, while information like a default on someone's credit file may often mean they're not granted further credit – they don't automatically mean that a lender won't offer borrowing. So I've looked at what other checks Vanquis made to see if they made a fair lending decision.

The checks showed that Mr V had total outstanding unsecured balances of £12,300. While this was nearly half of Mr V's annual income, Vanquis would have been able to see that this

was made up of four unsecured loans, and therefore they were able to see the monthly amounts Mr V was paying towards these loans was £413 a month. So while the debt to annual income ratio was nearly 50%, the monthly repayments would have been less than 25% of what I would expect his monthly income to be.

The checks would have also shown that Mr V had been in arrears with his mortgage repayment three months prior to Vanquis' checks. But this appears to be an oversight. I say this because by the following month Mr V had cleared the arrears and met his contractual monthly payment, as no arrears were showing the following month (and none were showing in the month prior to Vanquis' checks also).

Vanquis would have been able to see that Mr V had no active credit cards being reported by the CRA they used. And at the time Vanquis completed their checks, Mr V was not in arrears on any of his active accounts. The £500 credit limit would have equated to less than 2% of Mr V's annual income he declared to Vanquis, which I'm not persuaded was excessive given that he had no active credit cards when the checks were made.

So I'm persuaded that the checks Vanquis carried out were proportionate for the amount of credit they approved for Mr V, 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 V 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 V to accept or reject my decision before 19 February 2025.

Gregory Sloanes
Ombudsman