

Complaint

Miss S has complained about a credit card Vanquis Bank Limited (“Vanquis”) provided to her. She says credit card was irresponsibly provided as it was unaffordable.

Background

Vanquis provided Miss S with a credit card with a limit of £250 in April 2021.

One of our investigators reviewed what Miss S and Vanquis had told us. And he thought Vanquis hadn’t done anything wrong or treated Miss S unfairly in relation to providing the credit card. So he didn’t recommend that Miss S’ complaint be upheld.

Miss S disagreed and asked for an ombudsman to look at the complaint.

My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Miss S’ complaint.

Having carefully considered everything, I’ve decided not to uphold Miss S’ complaint. I’ll explain why in a little more detail.

Vanquis needed to make sure it didn’t lend irresponsibly. In practice, what this means is Vanquis needed to carry out proportionate checks to be able to understand whether Miss S could afford to repay any credit it provided.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to lend to a customer irresponsibly.

Vanquis says it initially agreed to Miss S’ application after it obtained information on her income and carried out a credit search on her. And the information obtained indicated that Miss S would be able to make the low monthly repayments due for this credit card. On the other hand Miss S says that she shouldn’t have been lent to as she had defaulted accounts and a county court judgment (“CCJ”) recorded against her.

I’ve considered what the parties have said.

What's important to note is that Miss S was provided with a revolving credit facility rather than a loan. This means that Vanquis was required to understand whether a credit limit of £250 could be repaid within a reasonable period of time, rather than all in one go. And a credit limit of £250 required relatively small monthly payments in order to clear the full amount owed within a reasonable period of time.

I've seen records of the information Vanquis obtained from Miss S about her income and what was on the credit search carried out. Vanquis says that Miss S declared a salary of around £33,000.00 a year.

Furthermore, the credit search showed that Miss S had a relatively low amount of active credit. Although Vanquis' credit check did indicate that Miss S had had previous difficulties with credit in the form of a historic defaults and a CCJ recorded against her. But I don't think that the CCJ means that Miss S shouldn't have been lent to in the way that she suggests.

Ultimately, it was up to Vanquis to decide whether it wished to accept the credit risk of taking on Miss S as a customer provided it was reasonably entitled to believe that the credit was affordable and it reasonably mitigated the risk of harm to her going forward. Arguably Vanquis did mitigate this risk by providing Miss S with such a low credit limit to begin with.

I accept that Miss S says her actual circumstances at the time were worse than what the information Vanquis obtained showed. I'm sorry to hear to hear about her difficulties. However, Vanquis didn't know this at the time of making its lending decision and it couldn't be expected to know about any of this either.

It's also not immediately apparent to me that further checks, which at the absolute maximum would have consisted of finding out more about Miss S' living expenses rather than relying on estimates of this, would, in any event, have led to Vanquis making a different decision. I say this because I've not been provided with anything to show that Miss S' actual living would have shown Vanquis that she couldn't afford to make the monthly repayments on this card.

In reaching my conclusions, I've also considered whether the lending relationship between Vanquis and Miss S might have been unfair to Miss S under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I've not been persuaded that Vanquis irresponsibly lent to Miss S or otherwise treated her unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here. So I'm not upholding this complaint.

Overall and having considered everything, while I can understand Miss S' sentiments and I'm sorry to hear about her situation, I don't think that Vanquis treated Miss S unfairly or unreasonably. So I'm not upholding this complaint. I appreciate this will be very disappointing for Miss S. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Miss S' complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 13 February 2025.

Jeshen Narayanan
Ombudsman