

The complaint

Miss M says Vanquis Bank Limited irresponsibly lent to her.

What happened

Miss M took out a credit card on 30 January 2019. She was given a £500 credit limit. This was not increased. Miss M says she should not have been given this card; she was a full-time student doing a small amount of tutoring. Vanquis knew she already had unsecured debt of £1,200. So it knew it would be difficult for her to afford the repayments, especially with the high interest rates and late payment fees. When she could not repay the debt, it was sold and eventually a CCJ was registered against her. She did not receive communication about this due to a change in address and problems with her email account.

Vanquis says it completed proportionate checks that showed the credit was affordable. Interest and charges were applied to Miss M's account in line with the terms and conditions she agreed to.

Our investigator did not uphold Miss M's complaint. She said the lender's checks were proportionate and Vanquis made a fair lending decision based on the information it gathered.

Miss M disagreed and asked for an ombudsman's review. She said, in summary, Vanquis should not have based its affordability assessment on her declared income. She was a full-time student with no regular income. The figure stated on the application form was either an error or a gross misrepresentation of her actual income. This could have been easily verified by reviewing her bank statements or requesting additional documentation. Her financial situation was not properly assessed. And getting this card had a significantly detrimental impact on her financial position. Combined with her existing credit card balance, it left her in a cycle of debt.

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.

I want to first reassure Miss M I have carefully considered all of the points she has made. But in keeping with our role as an informal dispute resolution service – and as our rules allow – I will focus here on the points I find to be material to the outcome of her complaint.

Vanquis will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint about unaffordable and irresponsible lending. So, I don't consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

To decide if Vanquis lent responsibly I need to consider if its checks were proportionate; if not what would better checks most likely have shown; did it make a fair lending decision; and finally, did it treat Miss M unfairly in some other way.

I can see Vanquis asked for certain information from Miss M when she applied – this included income, employment status and housing costs. It verified her declared income using a third-party income verification tool that reviews current account turnover. It made an assumption about her living costs based on publicly available information. It carried out a credit check to understand her credit commitments and credit history. From these checks combined Vanquis concluded Miss M could afford a card with a credit limit of £500.

I think these checks were proportionate given the level of credit offered and the stage in the lending relationship. And I think Vanquis made a fair lending decision based on the information it gathered. I'll explain why.

Miss M declared she worked part-time with an annual income of £14,400. Vanquis was able to successfully verify this so understood she had a net monthly income of £1,209. It calculated her living costs to be £370. She had declared no housing costs. Given she had said she worked part-time, and declared a household income of £50,400, this was plausible. Her existing debt was £1,168 and Vanquis allowed £53 for her contractual monthly repayments. I think this should have been marginally higher at £58. I say this as this service allocates 5% of outstanding balance to allow for repayment of interest and capital and to ensure there is no risk of a consumer falling into persistent debt. There was no significant adverse data on the credit check it carried out.

So with this information I find it was fair for Vanquis to conclude Miss M could afford the £25 monthly repayment for this new card (assuming she used the full credit limit).

Miss M argues this data did not reflect her financial circumstances for either her income or her outgoings. She says Vanquis should have reviewed her bank statements, or asked for other documentation. But I don't think it would have been proportionate for Vanquis to have completed a fuller financial review given the results of its initial checks and the amount of credit involved. I know Miss M strongly disagrees, but there is no set list of checks a lender has to complete. And in the circumstances of this case I am satisfied that relying on Miss M's application data; an income verification check; an affordability assessment using statistical models; and a credit check was reasonable.

It follows I do not think Vanquis was wrong to lend to Miss M.

Did Vanquis act unfairly towards Miss M in some other way?

I don't think that it did. Miss M was unhappy with the interest and charges applied, but they were in line with the terms of her account. She also mentioned that she did not receive communication when her account was sold and a CCJ was registered. But she also explained this was due to a change of address and her email being hacked. So from the available evidence it does not appear it was due to any failing on the lender's part.

Finally, I've also considered 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 M or otherwise treated her 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.

My final decision

I am not upholding Miss M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 21 February 2025.

Rebecca Connelley
Ombudsman