

The complaint

Mr F complains that Vanquis Bank Limited was irresponsible in its lending to him. He wants all interest he has paid on the loan refunded along with 8% statutory interest.

What happened

Vanquis provided Mr F with a £1,500 loan in May 2022. The agreement had an 18-month term and required Mr F to make monthly repayments of £102.59. Mr F said that at the time the loan was provided he was struggling financially with spiralling debt. He said Vanquis didn't carry out reasonable checks before providing the loan and had it done so it would have realised that the lending wasn't affordable. He said he had to borrow from family to make his repayments.

Mr F said that Vanquis hadn't responded to his complaint and referred his case to this service.

Our investigator issued a view dated 15 October 2024 noting that Vanquis hadn't provided a business file. Given this she couldn't say whether the checks it carried out before lending were proportionate. So, she considered what proportionate checks would likely have shown.

Our investigator noted the size of the loan, its term and the repayments and thought that Vanquis should have gathered information about Mr F's income and expenses before lending. She said that Mr F had said his monthly income was £2,573 and his expenses £1,600. She found that his bank statements supported this income figure. Our investigator reviewed Mr F's credit file and found his monthly repayments for his credit commitments, including his mortgage, loans, credit cards and insurance totalled around £1,520. This left around £1,053 for Mr F's other expenses and the Vanquis loan repayments.

Our investigator thought that had Vanquis carried out proportionate checks the lending would have been considered affordable. She noted that Mr F had been in receipt of payday loans but that all but one of these loans were taken out the year before he applied for the Vanquis loan. Based on this she didn't think that Vanquis had acted irresponsibly by providing the lending and she didn't uphold this complaint.

Mr F didn't accept our investigator's view. He said that additional to the credit our investigator had noted, his bank statements showed five outgoing payments for payday loans in May totalling around £400 and payments to another lender of £345 a month. He said if all of his income and expenses were considered this didn't leave him with much, if any, disposable income.

Our investigator responded to Mr F's comments explaining that she wouldn't have expected Vanquis to have obtained copies of his bank statements, but she did think it should have carried out a credit check and she based her assessment of his credit commitments on this.

Mr F provided further comments explaining why he thought the lending wasn't responsible.

Vanquis provided its business file in January 2025. Our investigator reviewed this and noted

that Vanquis had reviewed Mr F's credit file, gathered information about his income and expenses, verified his income and used third party data to model his expenditure. She thought these checks were proportionate and confirmed that her view hadn't changed.

As a resolution hasn't been agreed, this complaint has been passed to me, an ombudsman, to issue a decision.

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.

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

Before the £1,500 loan was provided, Vanquis gathered information about Mr F's income, housing costs and carried out a credit search. Mr F declared an annual income of £43,000 from which a monthly net income of £2,729 was calculated. He said his monthly housing costs were £330 and his credit commitments were calculated as £862.

The credit check recorded no defaults and showed Mr F had 14 active accounts. The active accounts included a mortgage, six credit card accounts, four loans, two current accounts and an insurance account. There was one missed payment recorded on one of Mr F's credit card accounts, but all other accounts were up to date with no adverse information recorded. While Mr F's credit check didn't raise concerns about how he was managing his accounts, it did show he had several credit card accounts which were close to their limits (with one being over the limit). Therefore, I think it would have been reasonable for Vanquis to have verified Mr F's income.

I can't see whether Vanquis verified Mr F's income and so I have looked through the bank statements he has provided to see what it would have found had this happened. Mr F's bank statements show his monthly income to be £2,573. While this is slightly lower than the net monthly figure Vanquis calculated I do not think it is such that it raises concerns about Mr F's declared annual income. Mr F's credit report shows that he had a joint mortgage with monthly repayments of £659 which supports his declared monthly housing costs of £330.

Given the size and term of the loan and the cost of the repayments compared to Mr F's income, and that the credit check didn't raise concerns about how Mr F was managing his existing commitments, I do not find it unreasonable that Vanquis would rely on the information gained through the credit check and third-party data to calculate his expenses. The credit commitments were recorded as £862, and I note from the credit file Mr F provided that he settled some accounts around the time of this lending. If Mr F's housing costs of £330 and amounts for his other committed costs and general living costs are included, I do not find I can say that this would suggest the repayments of around £103 should have been considered unaffordable.

I note Mr F's comment about his credit score and the need for additional scrutiny before credit was provided. But in this case, noting the size of the repayments compared to Mr F's income and as the credit check didn't raise any significant concerns about how Mr F was

managing his existing commitments, I find that the checks set out above were reasonable and as these didn't suggest the lending to be unaffordable, I do not find I can uphold this complaint.

I've also considered whether Vanquis acted unfairly or unreasonably in some other way given what Mr F has complained about, including whether its relationship with Mr F 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 Mr F 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.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 12 March 2025.

Jane Archer
Ombudsman