

The complaint

Miss H complains that Vanquis Bank Limited irresponsibly lent to her.

What happened

Miss H was approved for a Vanquis credit card in September 2022 with a £1,200 credit limit. The credit limit was increased to £2,000 in August 2023. Miss H says Vanquis lent to her irresponsibly. Miss H made a complaint to Vanquis.

Vanquis did not uphold Miss H's complaint. They said prior to the lending decisions, the relevant checks were completed to ensure that a responsible lending decision was being made. They said their checks were proportionate and fair lending decisions were made. Miss H brought her complaint to our service.

Our investigator did not uphold Miss H's complaint. She said Vanquis' checks were proportionate and that they made fair lending decisions to approve the application, and to increase the credit limit.

Miss H asked for an ombudsman to review her complaint. She made a number of points. In summary, she said her expenditure was sometimes more than her income, and if Vanquis would have asked for her bank statements then they shouldn't have lent to her. She said her income was £1,617 a month and she received further credits from family members or transfers from a savings account.

Miss H said Vanquis never checked her income and expenditure, and she was reliant on extra financial help from her family. She quoted different sections of the Consumer Credit Sourcebook (CONC), specifically CONC 5.2A.15 (R), as she says that Vanquis didn't use evidence from herself or a third party. She said Vanquis had reasonable cause to suspect the income she gave them was not truthful. Miss H said Vanquis' checks would have shown she applied for multiple credit applications in a short period of time, and would have shown her declined applications.

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.

Firstly, I'm aware that I've only summarised Miss H's complaint points. And I'm not going to respond to every single point made by her. No discourtesy is intended by this. It simply reflects the informal nature of our service as a free alternative to the courts. If there's something I haven't mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual point to be able to reach what I think is a fair outcome.

Before agreeing to approve or increase the credit available to Miss H, Vanquis needed to make proportionate checks to determine whether the credit was affordable and sustainable for her. 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.

Acceptance for the Vanquis credit card

Vanquis said they completed a credit check with a Credit Reference Agency (CRA) and they would also have information that Miss H provided them as part of her application, such as her telling them she was employed with a net monthly income of £2,000.

Miss H declared that she had £620 a month housing costs, and £280 a month of total living costs. She declared no other expenditure. I've considered what Miss H has said regarding CONC 5.2A.15 (R). The section she has quoted to our service is actually from CONC 5.2A.16 (G)(3)

"For the purpose of considering the customer's income under CONC 5.2A.15R, it is not generally sufficient to rely solely on a statement of current income made by the customer without independent evidence (for example, in the form of information supplied by a credit reference agency or documentation of a third party supplied by the third party or by the customer)."

But despite Miss H believing that Vanquis didn't obtain independent evidence, they did. I say this because CRA's can report a Current Account Turnover (CATO) to a lender, which verifies the income crediting an account.

Vanquis were able to use the CATO information from the CRA they used in conjunction with the information Miss H gave them that she was employed earning £2,000 net per month. So it wouldn't have been proportionate for Vanquis to have made any further checks such as obtaining Miss H's bank statements. While it would appear based on what Miss H has told us that gifts from family may be included in this figure, Vanquis would have no reason to know this, or believe that Miss H would give an incorrect monthly income to them.

But even if they didn't have this information, Miss H told us that she did get £2,000 a month once gifts/savings were included, so on the balance of probabilities, it's likely she would have told Vanquis she did have £2,000 a month of income if they would have phoned her and asked her about this, as this would have aligned with her application, and therefore again, it wouldn't have been proportionate for them to ask for bank statements in this instance.

Although Miss H has told us that her expenditure was sometimes more than her income, the expenditure she entered into her application was significantly lower than her declared income. But Vanquis didn't just take Miss H's word for her expenditure. They used modelling to estimate higher outgoings for Miss H. I know Miss H feels that this was Vanquis guessing what her expenditure would be, however, it is an acceptable industry standard for Vanquis to use modelling, especially where it appears an applicant has declared lower outgoings than what they would typically expect a borrower to have.

So I'm persuaded that Vanquis were fair to estimate Miss H's outgoings and to use the higher outgoings here. And therefore it wouldn't be proportionate for Vanquis to ask for Miss H's bank statements to see exactly what she was spending, when she had declared a lower expenditure than what Vanquis actually used for her.

The information from the CRA showed that Miss H had defaulted on a credit agreement in the past, with the last default showing as being from August 2019. 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 Miss H had active unsecured debts of around £94 at the time Vanquis completed their checks. And the £1,200 credit limit Vanquis provided would have been around 5% of her declared net annual income (12 x £2,000) of £24,000.

The CRA reported that Miss H had no arrears on her active accounts when they completed their checks, and she hadn't had any arrears on her active accounts in the previous 12 months that the data from the CRA showed.

So I'm persuaded that Vanquis' checks were proportionate here, and they made a fair lending decision to approve Miss H's application for the account, and to provide her with a £1,200 credit limit.

I've considered what Miss H has said about the number of credit checks she completed in a short period of time, and her declined applications. But Vanquis' data didn't show these categories. While her full credit file may show a hard search, it typically wouldn't say whether an application is successful or not. So I'm not persuaded that this would have had much of an impact here. Vanquis are not required to request a full credit file as this wouldn't have been proportionate based on the information they had from herself and the CRA.

Each lender will have different lending criteria, so although a different lender may decline an application, it doesn't mean that all lenders should follow suit, as this wouldn't be fair and reasonable. Here, Vanquis were able to see Miss H's active accounts, and the start dates for the credit agreement, so they would be aware that Miss H hadn't opened any new credit agreements as being reported by the CRA they used since 30 November 2019.

So it would appear to Vanquis that Miss H wasn't hungry/reliant on credit as the CRA reported she hadn't opened a new agreement for over two years prior to their checks. And Miss H wasn't utilising the majority of the credit she did have available to her.

August 2023 credit limit increase – £1,200 to £2,000

I've considered what checks Vanquis said they completed as part of this lending decision. Miss H told them that she was still earning a net monthly income of £2,000. Miss H declared higher outgoings than at the application stage, as she declared outgoings of £1,195 a month. She told Vanquis she had two dependants this time. Vanquis again used a higher expenditure figure than what Miss H told them. So again, I'm not persuaded that it would have been proportionate for Vanquis to request her bank statements here.

In addition to this, Vanquis would have also been able to see how Miss H managed her account since it was opened. I can see that she incurred one late fee and one overpayment fee since her account had been opened. But it appears that these were oversights as opposed to genuine financial difficulty. I say this because Miss H didn't have any further overlimit or late fees prior to this lending decision, and neither of these fees occurred within the six months prior to this credit limit increase.

The CRA reported that Miss H had £5,162 of unsecured debt, however, it appears £3,777 of this was from an account that had previously defaulted years earlier, and this figure was lower than it was showing at the account opening checks of the Vanquis credit card. Miss H had no active accounts in arrears, and she hadn't had any active accounts in arrears for the six months prior to this lending decision.

In the three months leading up to this lending decision Miss H made higher repayments than her minimum repayments, which Vanquis wouldn't expect her to do this if she was in financial difficulty.

Based on what Vanquis' checks showed, I'm persuaded that their checks were proportionate, and they didn't need to complete any further checks based on what the checks showed, and I'm persuaded that Vanquis made a fair lending decision here.

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 Miss H 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. 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 Miss H to accept or reject my decision before 18 March 2025.

Gregory Sloanes
Ombudsman