

## **The complaint**

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

## **What happened**

Miss O was approved for a Vanquis credit card in January 2020 with a £250 credit limit. The credit limit was increased to £500 in May 2022, and increased again to £850 in October 2022. Miss O says Vanquis lent to her irresponsibly. Miss O made a complaint to Vanquis.

Vanquis did not uphold Miss O'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 O brought her complaint to our service.

Our investigator did not uphold Miss O'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 O asked for an ombudsman to review her complaint. She made a number of points. In summary, she said she was suffering from financial hardship which Vanquis failed to properly assess. She said her true living expenses were significantly higher than the amounts she declared, and she had other financial obligations not accounted for in Vanquis' checks. Miss O said Vanquis completed inadequate affordability checks, they also failed to complete a proper assessment when increasing her debt, and they failed to take into account her vulnerabilities when increasing the credit available to her.

## **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 O'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 O, 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 O provided them as part of her application, such as her telling them she was employed full time with a net monthly income of £1,500.

The checks showed that Miss O had active unsecured debts of around £2,008 at the time Vanquis completed their checks. And the £250 credit limit Vanquis provided would have been around 1.3% of her declared net annual income (12 x £1,500) of £18,000.

The CRA reported that Miss O was currently one month in arrears on one of her accounts. While this could have been an oversight on Miss O's behalf, it also could have been a sign of financial difficulty, especially as the information had showed Miss O had previously been in arrears on the same account only months earlier.

So I'm persuaded that Vanquis should have completed further checks with Miss O to ensure she wasn't currently in any financial difficulty. One of the things Vanquis could have done was to contact Miss O to get an understanding of why she had recently missed a repayment on an account. Or Vanquis could have asked for her bank statements as part of a proportionate check to ensure the lending was sustainable and affordable for her.

I asked Miss O if she could forward us her bank statements for the three months leading up to this lending decision. I'd like to thank Miss O for forwarding our service everything she had available, but I couldn't locate the salary that she just told Vanquis she was earning at the time on these statements. There are credits for a company on some of the statements for a lot lower amounts, but on one statement that I looked at, there was no salary credits at all on the statement.

There didn't appear to be any direct debits showing on these statements either, so I can't say that Miss O's living expenses were higher than what Vanquis thought they were. There were non-priority expenditure on the statements which could show Miss O had disposable income in order to meet these outgoings, but these weren't fixed outgoings.

But again, there are other ways that Vanquis could have made further checks as opposed to requesting her bank statement. They could have asked Miss O about her circumstances at the time of the initial lending checks. Miss O has told us *"I was in a full-time onsite retail role prior to the pandemic. However, once the COVID-19 lockdown began in March 2020, my regular monthly income stopped, as I was no longer able to work."*

So if Vanquis had contacted Miss O in January 2020, then it's likely she would have told them she was full time employed earning £1,500 net a month like she did on her application. On the balance of probabilities I find it's more likely she would have told Vanquis the current arrears were just an oversight, and she may have highlighted she had missed a payment recently on that account and brought the account up to date. It's likely Miss O will disagree with me here, but I do think this is the most likely outcome if Vanquis contacted Miss O here.

So on the face of it, it does look like Vanquis should've looked more closely into this. But as my role is impartial, that means I have to be fair to both sides and although I'm satisfied that Vanquis should've done more checks here – I can't say whether further checks would've revealed further information which means they wouldn't have lent. So as Miss O has not provided our service with the specific information I asked her for, that means that it wouldn't be fair for me to say that Vanquis shouldn't have lent here, because I don't know what further checks would reveal.

*May 2022 credit limit increase – £250 to £500*

I've considered what checks Vanquis said they completed as part of this lending decision. Miss O told them that she was earning a higher net monthly income of £1,700. Miss O declared higher outgoings than at the application stage, as she declared outgoings of £300 a month (as opposed to £50 a month at the application stage). But Vanquis used a much higher expenditure figure than what Miss O told them, as they used a mixture of information from Miss O, the CRA, and a possible buffer to determine outgoings of £841.36.

In addition to this, Vanquis would have also been able to see how Miss O managed her account since it was opened. I can see that she incurred two late fees and two overpayment fees since her account had been opened. It does appear that these may have been linked with her circumstances around the pandemic. I say this based on what I quoted Miss O told us in the previous section.

Miss O had not exceeded her credit limit or incurred a late fee on her Vanquis account in the 12 months prior to this credit limit increase. So it did look like her financial situation had improved.

It also appears that Miss O had returned back to work by this time, as she told Vanquis she was full time employed. She did previously tell Vanquis in November 2020 she had been made redundant, and in March 2021 she still wasn't working based on Vanquis' system notes. So I asked Miss O if she could provide her bank statements from around this time showing her salary. But unfortunately Miss O's statements that she sent us didn't show her salary leading up to this increased lending decision.

But I did manage to locate a system note from Vanquis which was from March 2022, around the time I asked Miss O for her statements. The note shows that she would get paid the following Friday, so it does appear that Miss O was back in work, especially since she told them also that in May 2022 she was full time employed earning £1,700 net a month.

The CRA reported that Miss O had £2,647 of unsecured debt, which wasn't significantly higher than the unsecured debt at the account opening checks. Miss O 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 O made higher repayments than her minimum repayments, which I wouldn't expect her to be able to do 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.

#### *October 2022 credit limit increase - £500 to £850*

I've considered what checks Vanquis said they completed as part of this lending decision. Miss O told them that she was earning a higher net monthly income of £2,150. Miss O told Vanquis that her parents paid for the housing costs, and that she had no outgoings. But Vanquis did account for expenditure for Miss O as part of this lending decision.

In addition to this, Vanquis would have also been able to see how Miss O managed her account since the last lending decision. Miss O did not incur any late or overlimit fees since the last lending decision and her credit limit increasing to £850.

In the three months leading up to this lending decision Miss O made higher repayments than her minimum repayments, which I wouldn't expect her to be able to do this if she was in

financial difficulty. In September 2022, the month before the credit limit increase she made several repayments, including repayments of £170 and £100, which would suggest she could sustainably afford a £850 credit limit.

The CRA reported that Miss O had £2,610 of unsecured debt, which was slightly lower than at the last lending decision. The CRA did report one account had recently been in arrears prior to this lending decision, however this appears to have been an oversight as Miss O brought this account up to date prior to this credit limit increase. Miss O had no active accounts in arrears at the time of these checks.

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 considered what Miss O has said about her suffering from financial hardship which Vanquis failed to properly assess, however, at each lending decision they were aware of her unsecured debt and her debt to declared annual income was relatively low.

There's no doubt Miss O did suffer financial difficulty between the initial lending and the next lending decision as I've read the notes what she told Vanquis, and I can see they showed her forbearance by giving her a three month payment freeze twice. So I do think they were aware of her vulnerabilities and gave her support.

It's not clear why Miss O has said her true living expenses were significantly higher than she declared, as it would be reasonable for Vanquis to expect borrowers to tell them accurate information, so I can't hold Vanquis responsible if Miss O didn't do this. However, I can see that at each lending decision Vanquis used higher expenditure figures in their affordability calculations than what Miss O told them her expenditure was, which was the fairest thing I would expect them to do 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 O 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 O to accept or reject my decision before 8 April 2025.

Gregory Sloanes  
**Ombudsman**