

Complaint

Mrs M has complained about a credit card Vanquis Bank Limited (“Vanquis”) provided to her. She says the credit card was unaffordable and so shouldn’t have been provided to her.

Background

Vanquis provided Mrs M with a credit card with an initial limit of £1,000.00 in June 2020. Mrs M’s credit limit was never increased. One of our investigators reviewed what Mrs M and Vanquis had told us. And he thought Vanquis hadn’t done anything wrong or treated Mrs M unfairly. So he didn’t recommend that Mrs M’s complaint be upheld. Mrs M disagreed and asked for an ombudsman’s review.

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 Mrs M’s complaint.

Having carefully considered everything, I’ve decided not to uphold Mrs M’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 Mrs M 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 Mrs M’s application after it obtained information on her income and carried out a credit search. And the information obtained indicated that Mrs M would be able to make the monthly repayments due for this credit card. On the other hand, Mrs M says that she shouldn’t have been lent to. I’ve considered what the parties have said.

What’s important to note is that Mrs M was provided with a revolving credit facility rather than a loan. And this means that Vanquis was required to understand whether a credit limit of £1,000.00 could be repaid within a reasonable period of time, rather than whether £1,000.00 could be paid all in one go. A credit limit of £1,000.00 required relatively small monthly payments in order to clear the full amount owed within a reasonable period of time.

I understand that Mrs M appears to have declared that she wasn't working. However, she said that she was in receipt of benefits totalling some £8,000.00 a year. I wouldn't consider it fair or reasonable for a lender to automatically reject an application simply because a customer is in receipt of benefits. After all, it doesn't automatically follow that the customer wouldn't have funds left over to make repayments in these circumstances.

Furthermore, Vanquis' credit check showed that Mrs M didn't have much in the way of active debts or commitments at the time of application. From what I've seen Mrs M didn't owe anything at all at this stage. In these circumstances, I don't think that it was unreasonable for Vanquis to rely on what Mrs M said about her income and what this suggested about her ability to repay at the time of her application.

I know that Mrs M says her position was worse than what the information Vanquis obtained showed. For example, I've seen what Mrs M has said about taking out other credit and having a different complaint upheld. However, Vanquis would have known about any of this. And bearing in mind that the information it obtained suggested that Mrs M would most likely be able to make her repayments, I don't think that it was unfair for it to lend in this instance.

In reaching my conclusions, I've also considered whether the lending relationship between Vanquis and Mrs M might have been unfair to Mrs M 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 Mrs M 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.

Overall and having considered everything, while I can understand Mrs M's sentiments, I don't think that Vanquis treated Mrs M unfairly or unreasonably when providing her with her credit card. And I'm not upholding Mrs M's complaint. I appreciate this will be very disappointing for Mrs M. 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 Mrs M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 10 March 2025.

Jeshen Narayanan
Ombudsman