

The complaint

Mr D complains that Vanquis Bank Limited irresponsibly lent to him.

Mr D is represented by a solicitors firm in bringing this complaint. But for ease of reading, I'll refer to any submission and comments they have made as being made by Mr D himself.

What happened

Mr D was approved for a Vanquis credit card in December 2022 with a £600 credit limit. Mr D says that Vanquis irresponsibly lent to him, and he made a complaint to Vanquis, who did not uphold his complaint. Vanquis said appropriate checks were made which were proportionate to the amount of credit being granted. Mr D brought his complaint to our service.

Our investigator did not uphold Mr D's complaint. He said that Vanquis made a fair lending decision. Mr D asked for an ombudsman to review his complaint. He made a number of points. In summary, he said he was self-employed, therefore his income was unstable. He said Vanquis relied on generalised data for their checks, rather than a thorough assessment of his financial circumstances.

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.

Before agreeing to approve the credit available to Mr D, Vanquis needed to make proportionate checks to determine whether the credit was affordable and sustainable for him. 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.

Vanquis said they completed a credit check with a Credit Reference Agency (CRA) and information that Mr D had provided before approving his application. The information showed that Mr D was self-employed, and he declared a net monthly income of £1,950, which would have equated to a net annual income of £23,400. Although Mr D has said his income was unstable as a result of him being self-employed, I wouldn't expect Vanquis to discriminate against self-employed borrowers. So I've looked at what other checks Vanquis made.

The information also showed Mr D had previously defaulted, and he had County Court Judgements (CCJ's) on credit agreements, with the last default being registered 38 months prior to his application checks, and the last CCJ showing as being registered 50 months prior to the application checks.

It may help to explain here that, while information like a default or a CCJ 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 Mr D had total active unsecured balances of £724, and he had no active credit cards. The £600 credit limit would have equated to around 2.5% of Mr D's declared annual net income, which I'm not persuaded was excessive given that he had no active credit cards when the checks were made.

The checks also showed that Mr D was not in arrears on any of his active accounts when the checks were made, and he hadn't been in arrears on any of his active accounts for the previous 12 months, therefore, even though his income may have fluctuated, he had been able to maintain the payments on his active credit agreements.

I've considered what Mr D has said about the checks being generalised. But while Vanquis did look at Office for National Statistics (ONS) expenditure for Mr D, which would have been an acceptable industry standard way of estimating expenditure for a borrower, they actually used higher figures than what the ONS data showed, as they used the higher figures that Mr D himself had declared to Vanquis. Therefore, I'm satisfied that the affordability assessment was more personalised to Mr D's situation. They were also able to include information from the CRA about Mr D's credit commitments into the affordability calculation.

So I'm persuaded that the checks Vanquis carried out were proportionate for the amount of credit they approved for Mr D, and I'm persuaded they made a fair lending decision to approve the initial credit limit.

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 Mr D 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. 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 Mr D to accept or reject my decision before 31 March 2025.

Gregory Sloanes
Ombudsman