

The complaint

Miss I says Vanquis Bank Limited ('Vanquis'), irresponsibly lent to her. She says that it didn't take reasonable steps to ensure she could afford the repayments towards a credit card. And it shouldn't have provided her with £1,000 of credit without proper checks. And if it had made better checks, it would have seen that she was in no position to handle this additional credit.

What happened

This complaint is about a credit card account that Miss I took out in January 2023. The account has a credit limit of £1,000.

Whilst the account has been generally well maintained, Miss I has had some problems making the repayments at times. She incurred late payment charges in 2024 and she borrowed a modest amount more than the card credit limit a few times as well. She has said that these relate to a period of ill health and a time when she was in receipt of benefits.

I have noted what she has said about this period of ill health and how this affected her ability to pay the card. But this hasn't affected my decision about whether it was right to approve the lending, as it took place after the card was opened.

Miss I has complained to Vanquis saying she felt it was irresponsible to have approved the credit card due to her financial circumstances.

Vanquis considered this complaint, and it didn't uphold it. It said that it thought that appropriate checks were made before approving the card and these were proportionate to the amount of credit being granted, and the information available to it at the time. It said it was satisfied it was not irresponsible to approve the card.

Miss I didn't agree with this and brought her complaint to the Financial Ombudsman Service.

Our Investigator didn't uphold Miss I's complaint. He thought Vanquis did proportionate checks and these showed the card was affordable. It wasn't aware of Miss I's health issues when it approved the lending.

Miss I didn't agree with the Investigator. She said that when she took out the card she had a history of missed payments and bad credit, and she had an overdraft that was in an arrangement to pay. She was borrowing from family members, and she had ill health issues that made making the card repayments difficult.

Our Investigator considered Miss I's response but didn't change their opinion that the complaint shouldn't be upheld, for the same reasons. Miss I requested that an ombudsman consider the complaint. It has been passed to me to make a final decision.

What I've decided – and why

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When someone complains about irresponsible and/or unaffordable lending, there are two overarching questions I need to consider when deciding what's fair and reasonable in all of the circumstances of the complaint. These are:

1. Did Vanquis complete reasonable and proportionate checks to satisfy itself that Miss I would be able to repay the credit in a sustainable way?
 - a. if so, did Vanquis make a fair lending decision?
 - b. if not, would reasonable and proportionate checks have shown that Miss I could sustainably repay the borrowing?
2. Did Vanquis act unfairly or unreasonably in some other way?

And, if I determine that Vanquis didn't act fairly and reasonably when considering Miss I's application, I'll also consider what I think is a fair way to put things right.

Did Vanquis complete reasonable and proportionate checks to satisfy itself that Miss I would be able to repay the credit in a sustainable way?

We've set out our general approach to complaints about irresponsible lending - including all the relevant rules, guidance and good industry practice - on our website.

Vanquis needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Miss I could repay the loans in a sustainable manner.

There's no set list for what reasonable and proportionate checks are, but I'd expect lenders to consider things such as the amount, duration, and payments of the finance being applied for, as well as the borrowers' personal circumstances at the time of each application.

Miss I declared that her income was £25,000 a year before tax. I can't see that Vanquis entirely verified Miss I's income. Although the information from the credit reference agency did have a high degree of confidence that it was accurate. In any event there is no indication the amount Vanquis used was wrong. Miss I has said she had monthly take home pay of up to £1,750, which is almost the same monthly amount Vanquis used in its affordability assessment. So even if Vanquis had done more here I don't think it would have made a difference.

Vanquis also looked at some information from Miss I's credit file. This showed she had existing credit commitments costing her around £309 a month. And the credit report also showed that Miss I wasn't in any financial difficulties. She was paying her existing credit, which looked to total around £6,895 without any issues.

She did have some other credit cards, but she wasn't utilising all of the balances on these, and she hadn't had any problems repaying them. And from what I can see from Vanquis some of the balances on these were transferred to her new card. And so, her monthly repayments wouldn't increase.

There wasn't any evidence of missed or late payments in the recent time before the application. Miss I had defaulted on some credit 66 months before the card was started but she wasn't currently having more serious problems such as entering into payment agreements, or defaults.

She had built up an overdraft some time ago and I understand she was in an arrangement to repay this. But she had been making the repayments as agreed to this for some time before the card was approved. So, I don't think Vanquis would've been concerned by this.

There's nothing on this report that shows me Vanquis should've declined her application, or that it should've been unduly concerned about her current financial position.

Miss I declared that her housing costs were £700 a month, Vanquis then used statistical information to estimate Miss I's other monthly outgoings. It said her expenditure would likely be around £528 a month. And when it added this to the monthly payments it knew about it thought the amount she had left over was enough to make the credit card repayments. I don't think this was unreasonable here, given Miss I's other circumstances and the lack of evidence of significant financial difficulties.

Whilst Vanquis didn't ask Miss I, or find out another way, about all of Miss I's expenditures and used statistical information for some of this. As our Investigator detailed the regulations that Vanquis need to adhere to (in CONC 5.2.19A) allow the use of statistical data.

Added to this the card had a relatively modest credit limit when it was started and so the minimum repayments would also have been modest. So, I don't think it was unreasonable to have used Miss I's declared income and housing costs, the credit report information and some statistical information in this case.

Miss I has said that the reality of her situation was that her bills were higher than her income at the time and she had been borrowing from family members. But I can't see that this information was made available to Vanquis when she applied for the card. And it wouldn't have been aware of any arrangements she had come with her family members.

I haven't seen any further information that shows its likely Vanquis was made aware of any financial problems Miss I might've been having – if she was having them. Or anything that would've prompted it to investigate Miss I circumstances further. So, I think it was reasonable for Vanquis to rely on the information it obtained.

So overall, in these circumstances, I think the assessments Vanquis did when it approved the card were proportionate. And I think its decision to approve the card was reasonable.

Did Vanquis act unfairly or unreasonably in some other way?

Finally, I've thought about whether considering this complaint more broadly as being about an unfair relationship under Section 140A of the Consumer Credit Act 1974 would lead to a different outcome. But even if it could (and should) reasonably be interpreted in that way I'm satisfied this wouldn't affect the outcome in this case.

My final decision

For the reasons set out above, I don't uphold Miss I's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss I to accept or reject my decision before 4 April 2025.

Andy Burlinson
Ombudsman