

## **The complaint**

Mr R has complained about a credit card he took out in August 2013 with Vanquis Bank Limited. He's said the credit card was unaffordable and shouldn't have been approved.

## **What happened**

Mr R took out this Vanquis credit card account in August 2013 with a credit limit of £1,000. The credit limit was increased to £1,750 in December 2015.

Due to arrears on the account, Vanquis issued a Notice of Default in February 2018. I understand Mr R then entered a debt management plan.

In April 2024, Mr R complained to Vanquis to say the credit card should never have been provided to him. Vanquis said the complaint had been made too late.

Our Investigator didn't recommend the complaint be upheld. She thought Vanquis had carried out reasonable and proportionate affordability checks, and Vanquis made a fair decision to lend both times.

Mr R didn't agree, so the complaint has been passed to me to decide.

## **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.

The Financial Conduct Authority (FCA) sets out in a part of its handbook known as CONC what lenders must do when deciding whether or not to lend to a consumer. In summary, a firm must consider a customer's ability to make repayments under the agreement without having to borrow further to meet repayments or default on other obligations, and without the repayments having a significant adverse impact on the customer's financial situation.

CONC says a firm must carry out checks which are proportionate to the individual circumstances of each case. What is proportionate will vary with each lending decision and considers things such as (but not limited to): the amount of credit, the size of the repayments, the cost of the credit, the purpose the credit was taken out for and the consumer's circumstances.

What's important to note is that Mr R was provided with a revolving credit facility rather than a loan. And this means that to start with Vanquis was required to understand whether a credit limit of £1,000 (and then £1,750) could be repaid within a reasonable period of time, rather than all in one go. A credit limit of even £1,750 didn't require huge monthly payments in order to clear the full amount owed within a reasonable period of time.

Vanquis asked Mr R for information when he applied for this credit card in 2013, including his household income and employment status. Vanquis also obtained a credit report for Mr R in order to establish what his current credit commitments were and how he'd been managing those commitments.

Mr R wasn't an existing customer of Vanquis. He declared on the application he was employed, with a household income of £40,000. His active credit commitments were shown to be:

- a hire purchase agreement he'd taken out in March 2013 with a balance of around £13,000 and monthly payments of around £230,
- three credit cards with balances totalling around £1,710,
- a mail order account with a balance of around £240,
- a current account with an overdraft facility of around £1,500,
- a loan he'd taken out in December 2012 with a balance of around £2,330 and monthly payments of around £90, and
- a fixed term deferred payment arrangement he'd taken out in April 2013 with a balance of around £2,290 and monthly payments of around £65.

Mr R had no CCJs or defaults, and all his credit commitments were showing as up to date with no missed payments.

Having completed these checks, Vanquis decided that Mr R could afford a card with a credit limit of £1,000.

But I agree with our Investigator that Vanquis should have found out more about Mr R's income as the figure given was his household income, rather than just his but the expenditure didn't include all the household outgoings and credit commitment payments. As that wasn't done, I don't think the checks were proportionate.

I have therefore considered what the results of these better checks would have been and how they ought to have affected Vanquis' lending decisions.

To understand Mr R's circumstances around the time of this loan, I've reviewed his bank statements. In the absence of further checks by Vanquis, I think it's fair in the circumstances to rely on Mr R's actual circumstances at the time.

When the credit card was taken out, the bank statements showed Mr R's net income was £1,272 a month. The external debt Mr R was paying each month (from the credit report) was around £480 a month (using credit card and mail order repayments of 5% of the total balance). Whilst I note Mr R had taken out a payday loan in July 2013, that was repaid ten days later and there are no other signs of any other payday loans being taken out in the period covered by the bank statements (from 22 February 2013 until this credit card was taken out). I also note that more than half of that £75 appears to have been spent on non-essential outgoings, rather than being needed to meet household bills. I also must keep in mind that £13,000 of Mr R's external debt (and £230 of the monthly payments) was a hire purchase agreement. It was being paid off satisfactorily, and is a different type of debt as its secured on an asset.

Mr R's bank statements show a high level of discretionary, non-essential outgoings which aren't fixed. Having very carefully considered all Mr R's circumstances and his bank statements, if Vanquis had asked further questions or sought further information from Mr R, I'm satisfied it would have still reached the same outcome and granted Mr R a credit card with a £1,000 credit limit. So while I'm persuaded the checks Vanquis made were not proportionate, I'm not persuaded that the initial decision to lend to Mr R was unfair and so it follows that I'll not be asking Vanquis to do anything further.

The credit limit was increased in December 2015 to £1,750 and Vanquis completed further checks at the time. Vanquis looked at Mr R's overall credit commitments and assessed how he had maintained his account with it. Mr R wasn't using his full credit limit, with a balance of

£384 against the credit limit of £1,000. Mr R had run the account generally well since he'd taken it out. Mr R's salary had increased, albeit he's said he was on a phased return to work following an injury at the time, with his income averaging around £1,430 a month between August and October 2015.

Again, Mr R's bank statements show a high level of discretionary, non-essential outgoings which aren't fixed in the run up to the credit limit increase. Having very carefully considered all Mr R's circumstances and his bank statements, if Vanquis had asked further questions or sought further information from Mr R, I'm satisfied it would have still reached the same outcome and granted Mr R an increase to a £1,750 credit limit. So while I'm persuaded the checks Vanquis made were not proportionate, I'm not persuaded that the decision to increase Mr R's credit limit was unfair and so it follows that I'll not be asking Vanquis to do anything further.

Overall, I am not persuaded that Vanquis lent to Mr R in an irresponsible manner or that it treated him unfairly. In reaching my conclusions, I've also considered whether the lending relationship between Vanquis and Mr R might have been unfair to Mr R under section 140A of the Consumer Credit Act 1974. However, for the reasons I've explained, I don't think Vanquis irresponsibly lent to Mr R or otherwise treated him unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A or anything else would, given the facts of this complaint, lead to a different outcome here. I'm therefore not upholding Mr R's complaint.

I appreciate this is likely to be very disappointing for Mr R but I hope he'll understand the reasons for my decision.

### **My final decision**

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 11 April 2025.

Julia Meadows  
**Ombudsman**