

The complaint

Mr D complains that Vanquis Bank Limited lent irresponsibly when it approved his credit card application.

What happened

Mr D applied for a Vanquis credit card in January 2023. In his application, Mr D said he was employed with an income of £42,000 a year which Vanquis calculated left him with £2,685 a month. Mr D's application also said he had housing costs of £450 a month. Vanquis applied an estimate of Mr D's general living expenses, obtained from nationally recognised statistics, of £1,218 a month. Vanquis also carried out a credit search and found Mr D's other debts came to around £775 with monthly repayments of £57. No County Court Judgements or recent arrears were found on Mr D's credit file. Vanquis found Mr D had a default that was around 49 months old at the point of application which had been settled.

Vanquis applied its lending criteria and says Mr D had an estimated disposable income of £691 after meeting his existing outgoings. Vanquis approved Mr D's application and issued a credit card with a limit of £1,000.

Mr D used the credit card and maintained payments until early 2024 when he contacted Vanquis to explain he was experiencing financial difficulties. Mr D's account fell into arrears and was ultimately closed at default.

Last year, Mr D complained that Vanquis lent irresponsibly but no final response was issued. Mr D went on to refer his complaint to this service and it was passed to an investigator. The investigator looked at the information Vanquis used when considering Mr D's credit card application and felt it had completed reasonable and proportionate checks before deciding to lend. The investigator thought the decision to approve Mr D's application was reasonable in light of the information Vanquis obtained and didn't uphold his complaint.

Mr D asked to appeal and said Vanquis had failed to carry out adequate affordability checks, failed to complete a detailed income and expenditure assessment and failed to consider his actual disposable income. Mr D also said the fact he had a historic default meant Vanquis should've been more cautious when deciding whether to lend. Mr D also questioned whether his relationship with Vanquis was fair under Section 140a of the Consumer Credit Act and said the decision to approve his credit card had impacted his mental health and financial stability. As Mr D asked to appeal, his complaint has been passed to me to make a decision.

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 lend, the rules say Vanquis had to complete reasonable and proportionate checks to ensure Mr D could afford to repay the debt in a sustainable way. These affordability checks needed to be focused on the borrower's circumstances. The

nature of what's considered reasonable and proportionate will vary depending on various factors like:

- The amount of credit;
- The total sum repayable and the size of regular repayments;
- The duration of the agreement;
- The costs of the credit; and
- The consumer's individual circumstances.

That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate. Lenders may choose to verify a borrower's income or obtain a more detailed picture of their circumstances by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.

When Mr D applied for the Vanquis credit card he gave his income as £42,000 a year and housing cost at £450 a month. Vanquis calculated Mr D was left with £2,685 a month after deductions. Vanquis has provided a copy of the affordability assessment it completed. I can see it used Mr D's declared income along with his housing cost when completing its assessment. Vanquis also used an estimate of Mr D's general living expenses of £1,218 a month. In response to the investigator, Mr D said Vanquis had failed to complete a detailed income and expenditure assessment. But the CONC rules that set out how lenders should operate say Vanquis can use reasonable estimates when considering a borrower's outgoings. In my view, the figure of £1,218 Vanquis used was reasonable in the circumstances of Mr D's application.

Vanquis also carried out a credit search and found Mr D owed around £775 with monthly repayments of £57. There were no arrears or issues recorded with Mr D's open credit. Whilst I understand Mr D did have some outstanding credit it was at a reasonably low level and well maintained. I'm also satisfied Vanquis took the cost of Mr D's repayment into account when assessing his application. I can see Mr D had a default that was 49 months old. But Mr D's credit file shows he'd settled the outstanding balance in the four years since his default was registered. Vanquis has confirmed its lending criteria allows for some historic adverse credit and I'm satisfied it was aware of Mr D's default when he applied for a credit card.

Having reviewed the affordability assessment and credit file information Vanquis obtained I'm satisfied it completed reasonable and proportionate checks before deciding whether to lend. Vanquis calculated Mr D had a disposable income of £691 after meeting his existing outgoings. In my view, that figure was sufficient to sustainably make repayments to a credit card with a limit of £1,000. I'm very sorry to disappoint Mr D but I haven't been persuaded Vanquis lent irresponsibly.

Mr D's explained that the credit card impacted his mental health and financial stability. I can see from Mr D's contact notes with Vanquis that in early 2024 he contacted it to explain he was experiencing financial difficulties and the credit card was later closed at default. I'm sorry to hear about the difficulties Mr D has experienced. Our website contains links to various organisations that can help with mental health difficulties and debt advice. Mr D's welcome to contact our investigator for more details if he wishes to. Whilst I don't doubt what Mr D's told us about his circumstances, I haven't seen anything that indicates Vanquis has treated him unfairly.

I've considered whether the business acted unfairly or unreasonably in any other way including whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Vanquis lent irresponsibly to Mr D or otherwise treated him unfairly. 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 sorry to disappoint Mr D but as I haven't been persuaded that Vanquis lent irresponsibly I'm unable to uphold his complaint.

My final decision

My decision is that I don't uphold Mr D's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 23 April 2025.

Marco Manente
Ombudsman