

The complaint

Ms A has complained about a credit card she took out in June 2015 with Vanquis Bank Limited. She's said the credit card was unaffordable and shouldn't have been approved.

What happened

Ms A took out this Vanquis credit card account in June 2015 with a credit limit of £150.

Due to arrears on the account, Vanquis issued a Notice of Default in July 2019, and the debt was then sold to a third-party company in October 2020.

Ms A complained to Vanquis to say the credit card should never have been provided to her.

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

Ms A 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 Ms A 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 £150 could be repaid within a reasonable period, rather than all in one go. A credit limit of £150 didn't require huge monthly payments to clear the full amount owed within a reasonable period.

Vanquis asked Ms A for information when she applied for this credit card in 2015, including her income. Vanquis also obtained a credit report for Ms A to establish what her current credit commitments were and how she'd been managing those.

She declared on the application she had an income of £8,000 (with an overall household income of £26,000) and was a student. Her only active credit commitment was shown to be

a credit card with a £400 limit. Whilst the report also showed two current accounts and a communications account, they all reported as having no balance outstanding or available. Ms A had no CCJ's or defaults, and although the report showed she'd missed some payments on her credit agreements, there had been none in the previous four months. She'd repaid an unsecured loan and a fixed term deferred payment agreement, both of which she'd taken out in 2013, in the months leading up to this application.

Having completed these checks, Vanquis decided that Ms A could afford a card with a credit limit of £150. I think these checks were proportionate given the level of credit offered and Ms A's circumstances.

I also think that Vanquis made a fair lending decision in the circumstances too. At the time Ms A had £400 of revolving credit available and she wasn't using it. She'd recently repaid two credit commitments which had been costing her around £250 a month. Whilst she said she was a student, that doesn't exclude a person from receiving an income and she declared she was in receipt of an income of £8,000 a year.

Whilst Ms A did have some missed payments, I must keep in mind the low credit limit Vanquis offered and the fact she wasn't actively relying on credit elsewhere. Just because a consumer has previously had some difficulties with their finances it does not mean that they should never again be offered credit. If that consumer has been able to stabilise their financial position and can afford the finance, then it would be inappropriate for a lender to refuse credit simply because there had been a problem previously. Overall, I am not persuaded that the missed payments showing on Ms A's credit file was reason to prevent her from having this very modest line of credit.

When she first took out the card, the highest the balance got was £128, and that was just one month, with Ms A repaying it in full in August 2016. The account then stood with a nil balance until Ms A started to use it again in October 2018 and this was when she got into difficulties with it, going over the limit and missing payments. The account was then defaulted in July 2019.

I've a great deal of sympathy for the position Ms A was in. It's clear she's gone through – and is still going through - some very difficult times, and it can't have been easy to share that with us when bringing this complaint. I've not gone into any detail about that in this decision to protect Ms B's privacy once the decision is published. But I'd seek to reassure her that I've read and considered everything she's said.

Ms A has said she didn't tell Vanquis of her vulnerability when she took out the card, but she thinks it should have done more when she did let it know which she says was after the debt had been sold in October 2020. She's also said it isn't right a default was registered at a time she wasn't able to do anything to stop it as she had no access to a phone or the internet to manage her finances.

I can see Ms A was speaking to Vanquis in November 2018 as at that time she gave it her new address. She spoke to them again in February 2019 and March 2019. A note in August 2019 indicates Ms A spoke to Vanquis and a breathing space hold was placed on the account at that time. It doesn't set out exactly what Ms A told Vanquis, but it does say there was a discussion about her situation. Ms A had a direct debit set up to make the payments between November 2018 and April 2019 (inclusive), and she also made additional payments by debit card in October 2018 and February 2019. There was a direct debit set up for May and June 2019, but those requests were returned as unpaid.

Whilst I can understand why Ms A wants the default removed, it is a true reflection of the status of the account at that time. She's said she wasn't able to access a phone or the

internet so couldn't make the payments, and I assume this relates to the period between May and July 2019. It doesn't seem Ms A told Vanquis this was the problem in August 2019 when she spoke to the business, as she's said she didn't tell it until after the debt had been sold in October 2020. If Ms A had told Vanquis why the payments had stopped, and then started making payments again, then I could see an argument for Vanquis considering the removal of the default, but no further payments were made to the account even once Ms A had access to her phone and internet again. I must also keep in mind that Ms A was already over her credit limit in February and March 2019, a time when she was in contact with Vanquis and able to make manual payments.

The notes indicate Vanquis placed a breathing space hold on the account in August 2019, and it agreed a payment arrangement in September 2019 as well as refunding a late payment fee from August 2019. Unfortunately, Ms A didn't make any payments under the payment arrangement, and the debt was then sold.

As our Investigator explained, we can't consider the actions of the new debt holder in this complaint against Vanquis. If Ms A is unhappy with how it has treated her then that's a separate complaint she needs to make directly to that business.

Overall, I am not persuaded that Vanquis lent to Ms A in an irresponsible manner or that it treated her unfairly. In reaching my conclusions, I've also considered whether the lending relationship between Vanquis and Ms A might have been unfair to Ms A under section 140A of the Consumer Credit Act 1974. However, for the reasons I've explained, I don't think Vanquis irresponsibly lent to Ms A or otherwise treated her 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 Ms A's complaint.

I appreciate this is likely to be very disappointing for Ms A but I hope she'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 Ms A to accept or reject my decision before 21 April 2025.

Julia Meadows
Ombudsman