

The complaint

Mrs W complains Vanquis Bank Limited (“Vanquis”) lent to her irresponsibly when she was already financially vulnerable.

What happened

Vanquis provided Mrs W with a loan for £5,000 in October 2022. The monthly repayments were around £190 spread over around three years.

In October 2024, Mrs W complained to Vanquis. She said she felt the loan was irresponsibly lent – she had to keep on taking out more loans to repay other debts, her overdraft was maxed out and she was in a bad financial state. She asked for a refund of all interest and charges.

Vanquis responded in November 2024. They said at the time of application she’d declared an annual income of around £100,000. There were no defaults or CCJs and she had around £90,000 in other external debt. They said they’re satisfied the checks were proportionate to the amount being lent.

Mrs W was unhappy with the response, so she referred the complaint to our service. An Investigator here looked into things. They agreed with Vanquis that the checks carried out were proportionate, and the decision to lend was fair.

Vanquis didn’t respond to the view, but Mrs W did – and she didn’t agree with the outcome. She said while her salary was good, she had huge debts with multiple lenders and didn’t have the disposable income described by Vanquis or the Investigator.

Because an agreement couldn’t be reached, 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 rules and regulations in place at the time Vanquis provided Mrs W with the loan required them to carry out a reasonable and proportionate assessment of whether she could afford to repay what she owed in a sustainable manner. This is sometimes referred to as an ‘affordability assessment’ or ‘affordability check’.

The checks had to be ‘borrower’ focused. This means Vanquis had to think about whether repaying the credit sustainably would cause difficulties or adverse consequences for Mrs W. In other words, it wasn’t enough for Vanquis to consider the likelihood of them getting the funds back or whether Mrs W’s circumstances met their lending criteria – they had to consider if Mrs W could sustainably repay the lending being provided to her.

Checks also had to be 'proportionate' to the specific circumstances of the lending. In general, what constitutes a proportionate affordability check will be dependent on a number of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, any indications of vulnerability or financial difficulty) and the amount/type/cost of credit they were seeking. I've kept all of this in mind when thinking about whether Vanquis did what was needed before lending to Mrs W.

When assessing whether Mrs W could sustainably repay the loan, Vanquis asked her questions about her income and expenditure, and did a credit search. They found out Mrs W was earning around £100,000 a year, and had £90,000 in debt, although it all appeared to be managed well, and the majority was made up of non-revolving debt and a hire purchase agreement.

They verified her monthly income at around £5,200 per month, and her existing credit commitments at around £2,300 per month. They allocated living costs at around £900 and monthly mortgage payments at around £820, leaving Mrs W with approximately £1000 disposable income per month. Mrs W told Vanquis the loan was to help with her daughter's school fees.

Based on the above, and the relatively low monthly cost of the loan, I think Vanquis' checks were proportionate. There was no indication Mrs W would be unable to sustainably repay the loan and there were no indicators of financial difficulty present on the credit report Vanquis got at the time of lending.

I appreciate Mrs W has said there was payday lending at the time, but that wasn't present on her credit file when Vanquis ran the check, so I can't say Vanquis ought reasonably to have been aware of Mrs W's declining financial situation. I'm not saying Mrs W wasn't struggling at the time, but I need to think about whether Vanquis ought reasonably to have been aware of her situation, and based on the checks and information they gathered, I can't say they would've been.

For the sake of completeness, I'd also add that even if I were to conclude that the checks carried out prior to the provision of the loan weren't sufficient, I don't think that Vanquis would have made a different decision even if it had asked Mrs W for more information. I say this because at the absolute most it could be said that Vanquis ought to have asked Mrs W more about her actual living costs rather than relied on estimates of this. And I don't think that the issue here was Mrs W's regular living costs. She told Vanquis at the time she wanted the loan specifically for her daughter's school fees.

I know this is likely to come as a disappointment to Mrs W, but I can't uphold her complaint against Vanquis, because I believe the checks they conducted were proportionate and a fair lending decision was made.

In reaching my conclusions, I've also considered whether the lending relationship between Vanquis and Mrs W might have been unfair to Mrs W under section 140A of the Consumer Credit Act 1974 ("CCA"). However, for the reasons I've explained, I've not been persuaded that Vanquis irresponsibly lent to Mrs W or otherwise treated him unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

My final decision

It's my final decision that I'm not upholding Mrs W's complaint against Vanquis Bank Limited about irresponsible lending.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 18 June 2025.

Meg Raymond
Ombudsman