

The complaint

Mr S complains that Vanquis Bank Limited was irresponsible in its lending to him.

What happened

Mr S was provided with a £5,000 loan by Vanquis in November 2022. The loan term was 36 months and Mr S was required to make monthly repayments of around £204. Mr S said that the loan was never affordable, and he had multiple debts outstanding at the time.

Vanquis issued a final response dated 13 May 2024. It said that each application is credit scored based on the information provided at the time. It said that at the time of the loan application, Mr S's Vanquis credit card account had been paid in full and on time since the account was opened. His credit file showed no defaults or county court judgements. His external non-mortgage debt was around £34,100. It said an income and expenditure assessment was undertaken which showed Mr S's monthly outgoings to be £2,348 against a monthly income of £3,350 after tax. Based on this it said the loan was affordable.

Mr S referred his complaint to this service.

Our investigator thought the checks carried out before the loan was provided were proportionate. She noted that Mr S's debt to income ratio was quite high at the time of the application but also that he had said the loan was for debt consolidation. She thought it right that an income and expenditure assessment took place and found this didn't show the loan to be unaffordable. Our investigator didn't find any other evidence of financial difficulty at the time and noted that Mr S had managed his credit card account with Vanquis well in the months leading up to the loan. Based on this she didn't uphold this complaint.

Mr S didn't agree with our investigator's view. He said that Vanquis took his word for his credit commitments and should have checked his bank statements. He said he was operating at the limit of his credit card which should have raised concerns.

My provisional conclusions

I issued a provisional decision on this complaint. While I agreed with our investigator's outcome I relied on additional information and provided additional reasoning for this. The details of my provisional decision are set out below.

Mr S was provided with a £5,000 loan repayable over 36 months with monthly repayments of around £204. Before the loan was provided, Vanquis gathered information about Mr S's employment, income and the purpose of the loan. A credit check was undertaken, and an income and expenditure assessment took place. Mr S also had a credit card account with Vanquis and so information was available to it about how he had managed that account. The credit check showed that Mr S had no defaulted or delinquent accounts and no county court judgements. While he did have over £30,000 of non-mortgage debt outstanding his accounts were up to date and there were no recent missed payments. I can't see that Mr S's income was verified and given his level of debt I think it would have been reasonable for this to have happened.

I have looked through the account statements Mr S has provided, and I do not find that further verification would have raised concerns about the income figure Mr S declared. I do not think that the size of the loan repayments compared to Mr S's income raised concerns but noting Mr S's level of existing credit commitments, I think it reasonable that an income and expenditure assessment was undertaken. I have looked at the information available to Vanquis at the time of the loan being provided to assess whether this should have raised concerns that meant further questions needed to be asked.

Mr S declared a monthly net income of £3,350 and said he had no childcare costs and no car costs as he had a company car. He declared amounts for his rent and other housing costs (utilities and council tax), credit commitments, subscriptions and his contribution towards shopping. This gave total monthly expenses of £2,348. I think it was reasonable for Vanquis to rely on the expenses information Mr S provided to the extent that it wasn't put into doubt by other information available to it at the time.

In this case, Mr S declared that he was paying £1,000 a month for his credit commitments. His credit check showed he had over £30,000 of outstanding debt. While the credit check didn't raise concerns about how he was managing his commitments, this is a high amount of debt and based on the information available to Vanquis it was aware that Mr S had had a high level of debt for an extended period. I appreciate that Mr S said the loan was for debt consolidation but given Mr S's level of debt I think it would have been reasonable to have carried out further checks to ensure the credit commitments figure was accurate.

While I do not think that Vanquis was required to request copies of Mr S's bank statements, I have used the information these contain, along with the information in Mr S's credit file to understand what further questions would likely have identified.

As the relevant account statements are for a joint account, it is possible that some of the debt commitments were not Mr S's but in the name of the joint account holder. The joint statements show income above that declared by Mr S and so I think a reasonable approach to try to understand what further questions would have identified is to rely on the income figure Mr S provided and cross reference the joint account statements with Mr S's credit file to include the accounts recorded in his name and the payments made to these. Having done this, it appears that Mr S was making repayments to his credit commitments (including loans, credit cards and other credit facilities) of around £1,650 a month. Adding this into the income and expenditure calculations would result in Mr S having around £150 disposable income after his expenses (which included his living costs as well as other fixed costs) and his repayments towards the Vanquis loan. This is a low amount of disposable income but as Mr S said this loan was for debt consolidation, I would expect his existing credit commitments to be reduced following this loan being provided which would in turn increase his disposable income.

Taking everything into account, while I think that Mr S's income should have been verified and further questions asked about his credit commitments, considering the loan was for debt consolidation, I do not find in this case that these would have shown the lending to have been unaffordable. Therefore, I do not find I have enough to say this complaint should be upheld.

Mr S responded to my provisional decision. He said that he had taken out a loan for £10,000 a few months before this loan application and this hadn't been considered.

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.

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

As I set out in my provisional decision, I think that Mr S's income should have been verified before the lending took place. But I find that had this happened, this would have supported the monthly income he had declared. Regarding Mr S's expenses, I think it is reasonable the information he provided was relied on subject to any other information received at the time putting this into doubt. As I previously explained, in this case I think that further checks should have happened to understand Mr S's existing credit commitments.

I note Mr S's comment that he had taken out a £10,000 loan a few months before he applied for the Vanquis loan and the evidence he has provided of this being paid into the joint account. This loan wasn't recorded on his credit report. I explained in my provisional decision the approach I had taken to cross reference the credit commitments shown in Mr S's credit report against the joint bank account statements. I think this provides a fair approach and gives a basis to assess what further questioning would likely have identified.

Based on the information I think would have been identified had further checks been undertaken, I do not find that I can say this would have shown the lending to be unaffordable. I appreciate that Mr S had existing credit commitments and additional debt had been taken out prior to this loan but I have also factored in that he was managing his existing commitments and the Vanquis loan was intended for debt consolidation. So, for the reasons I have set out, I do not find I can uphold this complaint.

I've also considered whether Vanquis acted unfairly or unreasonably in some other way given what Mr S has complained about, including whether its relationship with Mr S 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 S or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 15 April 2025.

Jane Archer
Ombudsman