

The complaint

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

What happened

Mr N applied for a Vanquis credit card in June 2020. In his application, Mr N said he was employed with an income of £23,000 a year that Vanquis calculated left him with £1,653 a month after deductions. Vanquis applied a housing cost and general living expenses estimate to the application. Vanquis also carried out a credit search. Defaults, the newest of which was 42 months old, were found on Mr N's credit file but there were no recent arrears or other adverse information. Mr N's credit file showed he had three loans with total outstanding balances of £3,232 and monthly repayments coming to £244. In addition, a home credit account with monthly repayments of £65 and an outstanding balance of £1,113 were noted. No open credit cards were found on Mr N's credit file by Vanquis.

Vanquis applied its lending criteria and calculated Mr N had an estimated disposable income of around £277 after meeting his regular outgoings. Vanquis approved Mr N's application and issued a credit card with a £250 limit.

Mr N's card fell into arrears and was closed in 2023. Last year, representatives acting on Mr N's behalf complained that Vanquis lent irresponsibly and it issued a final response. Vanquis said it had carried out the relevant lending checks and didn't agree it lent irresponsibly to Mr N.

An investigator at this service looked at Mr N's complaint. They thought Vanquis had carried out reasonable and proportionate checks before approving Mr N's application and weren't persuaded it lent irresponsibly. Mr N's representatives asked to appeal and said he had a substantial level of unsecured debt at the point of his application to Vanquis. Mr N's representatives also said Vanquis had failed to consider Mr N's full financial circumstances. As Mr N's representatives 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 N 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.

I've set out the information Vanquis used when considering Mr N's application above. I'm satisfied Vanquis took Mr N's income into account and applied reasonable estimates for his regular outgoings to the application. I've read the full results from Mr N's credit file. They showed he had three loans and a home credit account. The total outstanding balances came to £4,345 with a monthly repayment figure of £309. Vanquis actually used a slightly higher figure of £336 in its lending assessment. I note Mr N's representatives said he had up to 10 open credit commitments at the time of the application. But the credit file Vanquis obtained didn't show that and no evidence to support the claim has been provided. I'm satisfied reasonably Vanquis relied on the credit file data it obtained.

The credit file results showed Mr N had previously had some difficulties previously with some accounts at default. But the newest default was 42 months old at the point of application which indicates Mr N's previous financial difficulties had stabilised. And Mr N's current debts were all up to date with no recent arrears.

I think it's fair to note the £250 credit limit Vanquis approved was low which reduced the overall financial strain on Mr N. And given Vanquis calculated Mr N had an estimated disposable income of £277 a month after I'm satisfied the decision to approve a credit limit of £250 was reasonable. In my view, Vanquis carried out reasonable and proportionate checks when considering Mr N's application. And I'm satisfied the decision to approve Mr N's credit card application with a limit of £250 was reasonable based on the information Vanquis obtained. I'm sorry to disappoint Mr N but I haven't been persuaded that Vanquis lent irresponsibly.

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 N 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.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 13 June 2025.

Marco Manente
Ombudsman