DRN-5488231

The complaint

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

What happened

Mr S applied for a Vanquis credit card in June 2021. In his application, Mr S said he was employed with an income of £30,000 a year that Vanquis calculated left him with £1,988 a month after deductions. Mr S also said he was renting his home for £700 a month. Vanquis carried out a credit search and found default information, the newest of which was 22 months old. The credit search showed Mr S had two other credit cards with balances totalling £1,588, a mail order account with a balance of £1,894 and two utilities accounts with balances totalling £354. No other adverse credit or recent missed payments were noted on Mr S' credit file.

Vanquis completed an affordability assessment using Mr S' monthly income of £1,988, rent of £700, an estimate for his general living expenses obtained from statistical data of £466 and the cost of servicing her existing debts into account. Vanquis also used a service provided by a credit reference agency known as TAC to help verify Mr S' income level and the affordability data it used. Vanquis reached the view that Mr S had a disposable income of £604 a month after covering his existing outgoings and commitments. Vanquis approved Mr S' application and issued a credit card with a limit of £1,000.

Mr S' account incurred overlimit and late fees in the months after it was approved. The account was ultimately closed and the balance was transferred to another business.

More recently, representatives acting on Mr S' behalf complained that Vanquis lent irresponsibly and it issued a final response. Vanquis said it had carried out the relevant lending checks before approving Mr S' application and didn't agree it lent irresponsibly.

An investigator at this service looked at Mr S' complaint. They thought Vanquis had completed proportionate checks when considering Mr S' application and the decision to approve it was reasonable based on the information it obtained. The investigator wasn't persuaded Vanquis lent irresponsibly and didn't uphold Mr S' complaint.

Mr S' representatives asked to appeal and, amongst other things, said Vanquis had failed to take steps to verify his income which was insufficient given his credit history. They also said it was unreasonable to rely on estimated expenditure and that Mr S' actual credit repayments may've been higher than the figures used in Vanquis' affordability assessment. Mr S' representatives also said he'd taken out a new loan in May 2021, the month before his Vanquis application, and that the monthly repayments weren't taken into account. As Mr S' representatives have 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 S 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 that Vanquis used when considering Mr S' complaint above. I note that in response to the investigator, Mr S' representatives said Vanquis had failed to verify his income. But part of the lending checks completed used a service provided by a credit reference agency known as TAC that assists with verifying income and affordability figures. So whilst I note Mr S' representative's comments, I'm satisfied TAC was used when considering his application. In addition, I understand Mr S took a new loan with monthly payments of £119 in May 2021 that wasn't taken into account by Vanquis. But there's often a lag between new accounts being recorded on a consumer's credit file which means commitments aren't updated immediately. I've reviewed the credit file results obtained by Vanquis and can confirm there was no reference to a loan opened in May 2021 with monthly payments of £119. As Vanquis wasn't party to the loan information, I'm unable to agree it acted unfairly by failing to factor the repayments into its lending assessment.

Mr S' net income was calculated to be £1,988 a month. Vanquis used an estimate for Mr S' general living expenses of £466 a month when completing its affordability assessment – a step that relevant lending rules allowed it to take. Mr S provided a rent figure of £700 a month that was used in the affordability assessment. Whilst I note Mr S' representative's comments, I'm satisfied those were reasonable figures to use when considering whether to lend.

I accept Mr S' credit file contained details of defaults. But the most recent default information was 22 months old at the point of application and there was no other adverse credit, like County Court Judgements, or recent missed payments shown on Mr S' credit file. Mr S' active commitments appear to have been well maintained. In my view, Mr S' credit file indicated his situation had stabilised at this point.

Vanquis ultimately reached the view that Mr S had a disposable income of £604 a month after covering his existing outgoings and commitments which was sufficient to sustainably make repayments of £64 a month. In my view, that was a reasonable conclusion to reach in light of the information Vanquis obtained.

Having considered all the available information, I'm satisfied Vanquis carried out reasonable and proportionate checks before approving Mr S' application and issuing a credit card with a £1,000 limit. And I'm satisfied the decision to approve Mr S' application was reasonable based on the information Vanquis obtained. I'm very sorry to disappoint Mr S 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 S 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 S' complaint.

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

Marco Manente
Ombudsman