

The complaint

Miss M complains that Vanquis Bank Limited lent irresponsibly when it approved her credit card application.

What happened

Miss M applied for a Vanquis credit card in June 2020. In her application, Miss M said she was employed with an income of £22,000 that Vanquis calculated left her with £1,606 a month after deductions. Vanquis carried out a credit search and found Miss M had a County Court Judgement (CCJ) that was 13 months old. A total of 11 defaults from mid 2019 were found on Miss M's credit file, totalling around £18,000. The credit file information also said Miss M had been subject to an Individual Voluntary Arrangement (IVA) in June 2019. The credit file also showed Miss M had a hire purchase agreement in place with an outstanding balance of £7,859 and monthly repayments of £170.

Vanquis used estimates for Miss M's regular outgoings for housing and general living expenses. When Vanquis applied its lending criteria, it calculated Miss M had an estimated disposable income of around £455 a month. Vanquis approved a credit card with a £1,000 limit.

Last year, representatives acting on Miss M's behalf complained that Vanquis lent irresponsibly and it issued a final response. Vanquish said it had carried out the relevant lending checks before approving Miss M's application and didn't agree it lent irresponsibly.

An investigator at this service looked at Miss M's complaint. They thought Vanquis had carried out reasonable and proportionate lending checks and that its decision to approve the application Miss M made was reasonable based on the information it found. Miss M's representatives responded to say that Vanquis had failed to factor two other credit commitments Miss M had into its lending assessment and asked to appeal. The investigator requested evidence to support the claim made by Miss M's representatives but no further information was provided and they asked us to proceed based on the evidence already held on file. As Miss M's representatives asked to appeal, her 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 Miss M 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 checks completed by Vanquis above and agree there may have been grounds for Vanquis to have completed better checks. Miss M had a large level of defaulted debt, a CCJ and recent IVA on her credit file. I also note Miss M's representatives claim that not all her debts were captured on the credit file Vanquis obtained. I can see our investigator has already been back to Miss M's representatives to request a copy of her credit file. But Miss M's representatives responded to say they'd been unable to source the information requested and asked us to proceed in light of the information we have on file. Whilst I think a copy of Miss M's credit file would've been useful to see, I'm conscious her representatives weren't able to get a response over a period of some months. So I'm going to proceed based on the information we already have on file.

As noted above, Vanquis' credit search found defaults and a CCJ but the only active credit agreement it found was a hire purchase agreement with monthly repayments of £170 and an outstanding balance of £7,859. All those payments had been made on time over the previous year. I'm satisfied Vanquis took the cost of servicing the hire purchase agreement it found into account when deciding whether to lend. Whilst I note Miss M's representatives claim she had more credit, I'm satisfied Vanquis' credit search only found the hire purchase agreement.

Vanquis also applied reasonable estimates for Miss M's outgoings to the income she gave. Ultimately, Vanquis says Miss M had an estimated disposable income of £455 after meeting her housing costs and existing commitments. I'm satisfied the estimates Vanquis used were reasonable and in line with the lending rules it operates under. Overall, I'm satisfied the level and nature of lending checks were reasonable and proportionate to the £1,000 credit limit Vanquis went on to approve. And, on balance, I'm satisfied the decision to approve Miss M's application was reasonable based on the information Vanquis obtained. I'm sorry to disappoint Miss M but I haven't been persuaded 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 Miss M or otherwise treated her 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 Miss M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 30 May 2025.

Marco Manente
Ombudsman

