

complaint

Ms M complains that Vanquis Bank Limited gave her a credit card and increased balances which were unaffordable. She says it was irresponsible of Vanquis to do this.

background

In June 2011, Ms M applied for and was granted a credit card with Vanquis with an initial limit of £250. A few months later, her limit was increased to £500 and by July 2012, it was finally increased to £1250.

The account defaulted in 2013 and Ms M says it was subsequently included in a debt management plan which she was in at the time.

Towards the end of 2017, Ms M complained to Vanquis about the lending. She said that at the time of the initial borrowing, she had already had several county court judgements issued against her, she had defaulted on multiple accounts and was in a debt management plan. In addition, she said she had used the card for gambling and that Vanquis should have seen these transactions on her statements before agreeing to the increase. She said this was irresponsible.

Vanquis did not uphold her complaint. It said that it had carried out appropriate credit checks when agreeing to the initial lending – and that all subsequent increases followed the same procedure. It disagreed that the lending had been unaffordable or that the increases had been irresponsible.

When Ms M came to this service, our adjudicator did not uphold her complaint either – so Ms M made further submissions and asked that an ombudsman consider her complaint.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint and based on what I have seen, I will not be asking Vanquis to do anymore.

Before agreeing to lend, Vanquis is required to make checks to ensure that a customer can repay what they are borrowing. It's really up to Vanquis which checks it carries out but they need to be proportionate to, for instance, the amount being borrowed, the length of the agreement and the lending history.

In this case, I can see that Vanquis carried out a credit check on Ms M before agreeing to both lend to her and increase her balance and it also relied on her payment history when considering the increases. So I need to decide if these checks were proportionate. If not, I need to decide what more Vanquis would have seen if they carried out what I consider to be more proportionate checks.

I take into account all that Ms M says about her financial situation when she first applied for the credit card –but as Vanquis has said, it had been some time since the last judgement had been recorded against her and almost a year since the last default. I can see Vanquis also considered Ms M's other external lending at the time before making a decision to lend to her – and I remind myself that the nature of Vanquis's lending is to lend to those that otherwise would not be considered for credit because of their history.

I think the checks carried out here were proportionate – and Vanquis has shown that it was aware of Ms M's financial situation at the time. I know Ms M feels that evidence of her using other short term lending should have alerted Vanquis and should have prevented it from allowing her to borrow. But I don't think that this in itself prevents a lender from agreeing to lend. Rather, it needs to make an assessment of affordability based on what it knows at the time. Also, I note that some short term loans which Ms M says she had borrowed at the time were not showing on her credit file when Vanquis carried out its checks.

Ms M also says that Vanquis should have been alerted to her regular gambling and realised that this was a problem. But until Ms M's account went into difficulties, Vanquis had no way of knowing of the gambling transactions.

In August 2012, when a payment was reversed, Vanquis spoke to Ms M – and she advised that she had had a reduction in her income and that this affected her ability to bring the account up to date – but not her ability to make the normal regular payments. As a result, Vanquis agreed a short term repayment plan to assist her. Ms M made no disclosure of financial difficulties to Vanquis at that time.

So, in the circumstances, I have seen nothing to suggest that Vanquis's decision to lend to Ms M was irresponsible or that the amounts were unaffordable - so I will not be asking that it does anything more.

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 Ms M to accept or reject my decision before 7 September 2018.

Shazia Ahmed
ombudsman