

complaint

Mr M complains that Vanquis Bank Limited acted irresponsibly in approving his credit card application, which he says was unaffordable.

background

Vanquis approved a credit card application from Mr M in May 2015. This followed a telephone call with him in which he declared his income to be £18,000. The card limit was set at £500.

Mr M quickly spent up to that limit but cleared the full balance in July 2015. By the following month he was again up to the limit and made one further repayment of some £9.00. In January 2016 Vanquis passed his account to a debt collection agency and the debt was then sold in July 2017.

Mr M complains that Vanquis acted irresponsibly in agreeing a credit card with a £500 limit. He says all other lenders had refused him, he had defaulted on various credit agreements and had a county court judgement (CCJ) against him.

Vanquis said that it had used its credit scoring procedures to assess Mr M's application and had checked his credit file. This didn't show any CCJs or previously defaulted debts, but did reveal existing lending of around £100. On that basis it approved a low initial credit limit of £500.

Our investigator didn't recommend that Mr M's complaint should be held. He considered that Vanquis had carried out proportionate affordability checks given Mr M's stated income and the low level of credit being advanced to him. And the information on Mr M's credit file did not suggest that he would have difficulty meeting the monthly minimum card repayment even if he spent up to the limit.

Mr M disagreed with the investigator's findings. He said his credit file should definitely have shown a CCJ and defaulted debts. He also said that at the time of his application he had significant gambling problems and it was only as a result of his winnings that he was able to repay the full card balance in July.

Our investigator asked Mr M for a copy of his credit report, which confirmed that he did indeed have a CCJ for £231 registered in 2013 as well as a number of recorded defaults. Our investigator therefore asked Vanquis to look again at Mr M's case given that it had apparently based its decision on inaccurate information.

Vanquis confirmed that it would still have approved Mr M's application with a £500 limit. It had already said that as a "second chance" lender historic negative behaviour or moderate levels of additional lending would not necessarily lead it to reject an application. And in risk scoring Vanquis gave greater weight to a CCJ registered in the last six months, and Mr M's had been considerably older than that.

Our investigator confirmed that the relevant rules didn't require Vanquis to have done more than it had done given the low level of proposed lending and Mr M's income. He therefore couldn't find that Vanquis had done anything wrong.

Mr M didn't agree and asked for his complaint to be considered by an ombudsman.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Before lending to a customer we expect businesses to perform some checks to ensure that the money can be repaid. We, as a service, do not set which checks need to be carried out – that is for lenders to decide. But we do expect them to be able to show that they carried out reasonable and proportionate checks in the circumstances.

In this case Vanquis offered Mr M a credit card with a very low limit relative to his declared income. And so although we would still have expected the bank to carry out affordability checks, under the circumstances it would not have been either reasonable or proportionate to expect it to have undertaken a rigorous and detailed examination of Mr M's financial history.

But Vanquis should have, and did, check Mr M's credit file. However something seems to have gone badly wrong here as Vanquis says it received incomplete and/or inaccurate information from the credit reference agency. This did not show – amongst other things – Mr M's CCJ from 2013. This is very worrying and I am sure that Vanquis will want to reassure itself that in future the information it receives is fit for purpose.

Vanquis has now looked at Mr M's accurate and up to date credit reference file and confirmed that it would still have approved his application with a £500 limit if it had known his complete credit history at the time. It says this because it recognises that as a "second chance" lender it is prepared to look more favourably on historic negative behaviour than other lenders might. And its risk assessment model is weighted more heavily against CCJs recorded in the last six months, which Mr M's wasn't.

Although Vanquis has at our request looked again at Mr M's application in the light of his recent credit file, I cannot in all fairness judge the merits of its decision in 2015 on the basis of information it didn't have at that time. It had requested and received a copy of Mr M's credit file and cannot reasonably have known that this was incomplete or inaccurate. But that said I note that it states that it would still have reached the same decision had it known about the CCJ and other adverse information on Mr M's file.

Mr M says he doesn't think Vanquis should have given him a credit card with a £500 limit. Vanquis says that it used its risk assessment model to credit score Mr M and it carried out a credit search. On that basis it decided the lending was affordable to him.

I know that this will come as a disappointment to Mr M, but I consider that Vanquis did all that was required of it in assessing his application given his income and the relatively low limit set on his card. And given the information it had at the time I cannot reasonably conclude that Vanquis did anything wrong.

my final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 22 June 2018.

June Brown
ombudsman