

complaint

Ms R complains that Vanquis Bank Limited lent irresponsibly to her.

background

Ms R opened an account with Vanquis in March 2013. She was able to make minimum monthly payments at first. But she started to get into arrears in November 2014. Ms R got her payments up to date by February 2015. But the account fell into arrears again and went into default.

Ms R felt Vanquis shouldn't have granted her credit facilities because of her circumstances. Her credit report would've shown regular arrears on other debts and only minimum payments being made. She'd tried to agree repayment plans with Vanquis. But it'd now passed her debt to a collection agency. So she wants Vanquis to refund the interest charged since the account was opened.

Vanquis said it made its lending decisions using credit scoring that looked at the customer's ability to pay. It was designed to make sure everyone was treated fairly. And each application was assessed on the information supplied at the time. Vanquis aimed to assist individuals with moderate means who might struggle to get access to credit. The applicant's previous financial history might not necessarily lead to an application being rejected.

When Ms R made her application in March 2013 she stated her income was £28000. And at that time she had under £10000 of other lending. Vanquis said Ms R had no outstanding CCJs although there had been a previously defaulted debt of around £700 some seven months earlier. After Vanquis had carried out its credit scoring process it offered Ms R a credit facility of £500.

Ms R wasn't satisfied with Vanquis' response. So she contacted our service and our investigator looked into the matter. She looked at whether Vanquis had acted irresponsibly when it offered Ms R the £500 limit. She felt the information used was fair and in line with the lending code guidelines. Vanquis had looked at Ms R's circumstances and it'd carried out a suitable credit check to justify a £500 credit limit.

She sympathised with Ms R's situation. But she felt the charges and interest had been applied fairly and in line with the terms and conditions of the account. And she wouldn't ask Vanquis to refund them.

Ms R didn't agree. So she's asked for an ombudsman's final decision.

my findings

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

I sympathise with the situation Ms R found herself in. She had a number of other debts and she feels Vanquis shouldn't have made further credit available to her. So I've looked carefully at everything Ms R and Vanquis have said.

When Ms R applied for credit in 2013 she gave information about her income. And Vanquis carried out further credit checks to decide whether it would make an offer of credit.

Ms R's application stated an income of £28000. But Ms R says that was the household income – not her personal income. Her own income was about half of that amount. And she had other loans and debts totalling nearly £10000.

Ms R says Vanquis shouldn't have lent to her. But even taking into account her lower personal income I don't think the credit offer of £500 was irresponsible. Ms R had regular, part-time employment. The monthly repayments would've been around £23. And Ms R was able to make her monthly payments for quite some time - even catching up when she fell behind. Based on what I've seen I think Vanquis reasonably assessed Ms R's ability to repay what she was borrowing. And it didn't increase her credit limit – it remained at £500.

I do appreciate how difficult things must've been for Ms R. But I've not seen any evidence Ms R made Vanquis aware she might be in financial difficulty. Ms R only made four late payments in a period of over two years. And I can see Vanquis discussed a free repayment plan in September 2016 to try and help.

The role of this service is to see if Vanquis has done anything wrong. But, based on what I've seen, Vanquis carried out sufficient checks to ensure Ms R could afford the repayments for the £500 credit. And it applied interest and late payment charges in line with the terms and conditions of the account. So I won't ask Vanquis to refund them.

Vanquis also has a responsibility to accurately report how customers manage their accounts. So when the account went into default Vanquis reported it on Ms R's credit history. I realise how frustrating this must be for her. But I can't say Vanquis did anything wrong in reporting the default.

I've looked carefully at everything Ms R has said about her circumstances at the time she applied for credit from Vanquis. She had an overdraft and other debts. And Ms R thinks Vanquis should've asked for more information before making the offer. But Vanquis makes relatively small offers of credit to help people who might have difficulty obtaining credit elsewhere. And it followed the correct procedures in reviewing whether the £500 credit was affordable and the monthly repayments could be met. I think the checks it carried out were proportionate to the amount it offered.

I realise Ms R will be disappointed with this outcome. But I've not seen anything to convince me Ms R's application should've been rejected. And I won't be asking Vanquis to do 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 R to accept or reject my decision before 19 August 2018.

Andrew Mason
ombudsman