

The complaint

Mr M complains that Vanquis Bank Limited irresponsibly granted him credit he couldn't afford to repay.

What happened

Vanquis opened a credit card account for Mr M in April 2020. This type of credit was an open-ended or running account facility and the credit limit was £500.

Mr M said he had a low credit score and had county court judgements (CCJs) awarded against him. He said that Vanquis's checks were inadequate because it should have seen this and declined to lend to him. Mr M also told us that he had health issues and was on medication which impacted his ability to make rational decisions.

Vanquis didn't uphold Mr M's complaint. It said that it asked him about his income, checked his credit file and found that the credit card repayments would be affordable for him. Vanquis said that although Mr M had some adverse information on his credit file, it wasn't recent enough to lead it to decline his application.

Mr M referred his complaint to us. Our investigator didn't recommend that the complaint be upheld. They found that Vanquis didn't act unfairly or unreasonably by approving the credit agreement. Mr M didn't agree with this recommendation and asked for his complaint to come to an ombudsman to review and resolve.

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.

I've also had regard to the regulator's rules and guidance on responsible lending which lenders, such as Vanquis, need to abide by. Vanquis will be aware of these, and our approach to this type of lending is set out on our website, so I won't refer to the regulations in detail here but will summarise them.

Before entering into a credit agreement, Vanquis needed to check that Mr M could afford to meet his repayments out of his usual means, within a reasonable period of time, without having to borrow further and without experiencing financial difficulty or other adverse consequences. The checks needed to be proportionate to the nature of the credit (the amount borrowed, for example) and to Mr M's circumstances.

Vanquis asked Mr M about his salary which he said was £27,000, so it seems his net monthly pay was over £1,800. Mr M said his rent was £350 a month and Vanquis estimated that his monthly living costs came to about £484. Vanquis also checked Mr M's credit file and said that this showed that he had about £700 in active external debt, with no defaulted accounts and no CCJs for 41 months. It provided a copy of the information it relied on, which supports these figures.

The regulations stated that a lender should not use the assumption of the amount necessary to make only the minimum payment each month and should consider the customer's ability to repay the maximum amount of credit available under the agreement within a reasonable period of time. I think it was reasonable to consider that Mr M would be able to repay this credit without difficulty within a reasonable period of time, given the likely repayments relative to the credit limit he was offered and bearing in mind his income and rental costs.

I appreciate that Mr M had a CCJ however, this had been awarded in November 2016 and was for less than £500. Mr M's credit file information didn't show any problems with his active debt so I don't think Vanquis had any reason to think he was experiencing financial difficulty at that time.

Altogether, I don't think there was anything in the information Vanquis had about Mr M's circumstances that should have prompted it to complete further checks before lending to him. And the amount of credit agreed wasn't so large relative to his means that it posed an obvious risk to him of not being able to meet his repayments without difficulty. So I think the checks Vanquis carried out on this occasion were reasonable and proportionate, and it didn't do anything wrong by lending to Mr M on the basis of the information it had.

Mr M told us that he had health problems at the time which impacted on his decision-making. I am sorry to hear of Mr M's health problems. I haven't seen anything in the available information which suggests to me that Vanquis knew, or should have known, about these before agreeing to lend to him. I appreciate that this will be disappointing news for Mr M but, having considered everything carefully, I have concluded that Vanquis wasn't irresponsible when it opened this credit card facility for him. And so I am not upholding his complaint.

My final decision

For the reasons given above, I am not upholding Mr M's complaint about Vanquis Bank Limited and don't require it to take any action.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 18 November 2022.

Michelle Boundy
Ombudsman