

## The complaint

Mrs T complains that Vanquis Bank Limited have irresponsibly lent to her.

## What happened

Mrs T applied for a Vanquis credit card in October 2019 and she was accepted for a £1,000 credit limit. Mrs T complained to Vanquis that they had irresponsibly lent to her and they shouldn't have accepted her application as she was having financial difficulties at the time.

Vanquis did not uphold Mrs T's complaint. They said at the time of the application, Mrs T had told them that she was employed, with a gross salary of £40,000. Vanquis's external checks showed that Mrs T had active unsecured debt of £13,600. The checks showed she had previously defaulted on at least one account, with the last account defaulting 45 months prior to her application and at least one County Court Judgement (CCJ) with the last one being 44 months prior to Mrs T's application.

Mrs T brought her complaint to our service. She said her salary was lower than £40,000 and she may only make this with bonuses and commissions, which weren't guaranteed. Our investigator did not uphold Mrs T's complaint. She said that there was an outstanding CCJ and Mrs T's hire purchase agreement was a number of months in arrears. She said this should have prompted Vanquis to make further proportionate checks, such as looking at Mrs T's bank statements to see how she was managing her money.

Our investigator said that if Vanquis would have done this then they would have seen from Mrs T's credits to the account that it was similar to the £40,000 income Mrs T had declared. She said Vanquis wouldn't have any reason to consider that the credit card was unaffordable based on Mrs T's income and outgoings

Mrs T asked for an Ombudsman to review her complaint. She made a number of points. In summary, she said her credit file showed she was responsible for two mortgages, not one and she was in arrears on her hire purchase agreement at the time of her application. Mrs T says her bank statements showed bounced payments which indicated she was struggling financially at the time.

As my findings differed in some respects from our investigator's, I issued a provisional decision to give both parties the opportunity to consider things further. This is set out below:

*"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 approve the credit limit for Mrs T, Vanquis needed to make proportionate checks to determine whether the credit was affordable and sustainable for her. There's no prescribed list of checks a lender should make. But the kind of things I expect lenders to consider include - but are not limited to: the type and amount of credit, the borrower's income and credit history, the amount and frequency of repayments, as well as the consumer's personal circumstances.*

*I've looked at what checks Vanquis said they did prior to accepting Mrs T's application. They said at the time of applying for the credit card, they considered the information that Mrs T had gave them, such as being employed, earning a salary of £40,000, being a council tenant and they looked at her credit file. Vanquis said that Mrs T's credit file showed she had active external unsecured outstanding debt of £13,600.*

*But that's not all the credit file showed. It showed that Mrs T had defaulted in the past and had CCJ's, but this was 44-45 months ago when the last of these were applied. So Vanquis would have been aware that Mrs T had previously not maintained her agreements. The data also shows that Mrs T was constantly three months in arrears on one of her hire purchase agreements.*

*So I've considered if the checks that Vanquis carried out were proportionate to the level of credit that Mrs T was given. And despite the credit limit not being high in relation to Mrs T's salary, I'm persuaded there are other factors which should have persuaded Vanquis to make further checks and I'll explain why below.*

*Mrs T's application appears to show contradictory information. While on one hand it is documented she is a council tenant, on the other hand she is shown as having a mortgage. I'm persuaded that this should have prompted Vanquis to make further checks to make sure the accommodation status was accurate. They then would have found out that despite their data showing she had one mortgage, she would have had two mortgages. This then should have prompted Vanquis to see if any other information was incorrect and completed proportionate checks such as either contacting Mrs T to discuss her situation or by seeing evidence of income/outgoings.*

*I'm also persuaded that there was further information available to Vanquis which should have prompted them to make further checks with Mrs T. I say this as Mrs T had a CCJ within 44 months of the application. Given that the amount of one of the CCJ's wasn't high (£744), it was lower than the credit limit approved here (£1,000), this could indicate that Mrs T would struggle to pay back even a modest credit limit, such as the £1,000 credit limit which Vanquis approved for Mrs T.*

*One of the other indicators of how Mrs T was managing her finances at the time is that Vanquis's data showed one of her two hire purchase agreements was constantly three months in arrears and had the status of "3" for 12 months meaning that Mrs T was not reducing the arrears on the account and they were long standing. This could indicate she had no disposable income to clear the arrears or that she may not be able to meet monthly payments if she had fallen behind by three months.*

*I've also looked at what Vanquis have calculated Mrs T's outgoings to be. Vanquis's calculations show Mrs T's rent/mortgage to be calculated at £73 a month which seems extremely low. The calculations show £0 for "credit commitments", but as Vanquis were aware that Mrs T had two hire purchase agreements totalling £13,600, this should have been apparent this would not be accurate. There are no calculated costs either for household bills, travel, food, clothing or anything else apart from calculated living costs of £613.22.*

*So for the reasons I've mentioned above, I'm persuaded that as part of a proportionate check, Vanquis should have requested information from Mrs T to discuss her finances, for example, one of the things they could have requested were her recent bank statements to validate Mrs T's income and expenditure and living arrangements.*

*Mrs T has provided her bank statements so we could see how she managed her money at the time. I've looked at the last three bank statements prior to the credit card being*

*approved. And although I'm missing a large part of August's transactions, there is clear evidence on the other statements that Mrs T is unable to manage her money effectively. Based on Mrs T's account being opened on 28 October, I'm persuaded she would have been able to provide statements up to her October statement which showed transactions up to 16 October on this.*

*Mrs T's bank statements show that between 1 September 2019 and 16 October 2019, that she had seven direct debits returned (including energy and council tax direct debits on more than one occasion) as she did not have enough money in her bank to pay these. The statements during this timeframe show she made nine card payments which either were paid while she was in an unauthorised overdraft or took her into an unauthorised overdraft. So in the space of roughly six weeks, there were 14 transactions where she didn't have enough money to pay these from a credit balance. These were not all grouped together either, the instances I've mentioned happened on 2, 3, 11, 20, 23 September and 1, 5, 7, 11, 14 October. The statements also appear to show Mrs T needing to borrow money from other people also. Mrs T has provided more statements from earlier than three months prior to her application and these also show a similar pattern of the mismanagement of her finances.*

*So I'm satisfied from the information I've seen here that Mrs T could not afford her commitments prior to Vanquis accepting her for the credit card without her borrowing to do so. In my view, this was unaffordable for Mrs T. If Vanquis had asked for details of her bank statements as part of a proportionate check when considering her application, considering the information they found on her initial credit checks such as being three months in arrears on an account, her previously adverse credit history and the apparent contradictory housing status on the application, then I'm persuaded they would have seen the repayments on the credit card would not have been sustainable or affordable for her. And I'm satisfied they wouldn't have accepted her application for the Vanquis credit card, based on someone who was clearly struggling to meet her current commitments. So, I intend to ask Vanquis to put things right for Mrs T."*

I invited both parties to let me have any further submissions before I reached a final decision. Mrs T did not respond to the provisional decision. Vanquis accepted the provisional 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.

As neither party have provided me with any further information to consider, then my decision and reasoning remains the same as in my provisional decision.

### **Putting things right**

In my provisional decision I said I intend to uphold this complaint. I said I intend to ask require Vanquis Bank Limited to do the following:

Vanquis should arrange to transfer any debt back to themselves if it has been passed to a debt recovery agent;

Rework the account removing all interest and charges that have been applied;

If the rework results in a credit balance, this should be refunded to Mrs T along with 8% simple interest per year\* calculated from the date of each overpayment to the date of

settlement. Vanquis should also remove all adverse information regarding this account from Mrs T's credit file;

Or, if after the rework there is still an outstanding balance, Vanquis should arrange an affordable repayment plan with Mrs T for the remaining amount. Once Mrs T has cleared the balance, any adverse information in relation to the account should be removed from her credit file.

I'm still satisfied this is a fair outcome for the reasons given previously.

*\*If Vanquis considers that it's required by HM Revenue & Customs to deduct income tax from that interest, they should tell Mrs T how much they've taken off. They should also give Mrs T a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.*

### **My final decision**

I uphold this complaint. Vanquis Bank Limited should settle the complaint in line with the instructions in the "putting things right" section above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs T to accept or reject my decision before 14 December 2022.

Gregory Sloanes  
**Ombudsman**