

The complaint

Miss P complains that Vanquis Bank Limited irresponsibly lent to her.

Miss P is represented by a solicitors firm in bringing this complaint. But for ease of reading, I'll refer to any submission and comments they have made as being made by Miss P herself.

What happened

Miss P was approved for a Vanquis credit card in June 2019 with a £1,000 credit limit. Miss P says Vanquis irresponsibly lent to her. Miss P made a complaint to Vanquis.

As Vanquis did not issue a final response to Miss P's complaint, she brought her complaint to our service. Our investigator did not uphold Miss P's complaint. He said the credit limit of £1,000 was proportionate to the income that Miss P declared in her application (£130,002) and the total amount of her existing debt. Miss P asked for an ombudsman to review her complaint. She said her income at the time wasn't £130,002.

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.

Before agreeing to approve or increase the credit available to Miss P, 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 listed below what checks Vanquis have done and whether I'm persuaded these checks were proportionate.

I've looked at what checks Vanquis said they did when initially approving Miss P's application. Vanquis said they looked at information provided by credit reference agencies and information that Miss P had provided before approving her application.

I'm not persuaded that the account opening checks were proportionate. I say this as the information showed that Miss P had declared a part time salary of £130,002. So while this would paint a picture that Miss P had a very high part time income, the checks from the Credit Reference Agency (CRA) that Vanquis used, paints a different picture.

The CRA check showed that Miss P had defaulted on credit agreements in the past with the last default being less than two years prior to her application for the Vanquis credit card. It may help to explain here that, while information like defaults on someone's credit file may often mean they're not granted further credit – they don't automatically mean that a lender won't offer borrowing. The data shows that the defaults had been settled prior to her Vanquis credit card application.

The checks also showed she had active unsecured borrowings when the checks were completed. The total of the unsecured debt was £4,435. Miss P had declared housing costs of £200 a month on her application, and £300 for living costs a month. Vanquis calculated Miss P's disposable income as £5,514.76 a month.

But I'm not persuaded that this was a proportionate enough check from Vanquis. I say this as it would be extremely unusual for someone who had defaults registered in the last couple of years, to have such a large disposable income (which could have paid off some of the defaulted debts in full in just one month). An income of £130,002 would be very high for a part time worker, who had active debts at the time of the application with one of these being for just £418.

Although Vanquis took the information Miss P provided them in good faith, I'm not persuaded this accounts for apparent user input errors. As it would appear the 2 at the end of £130,002 was pressed accidentally from Miss P. So in light of what I've said above, I'm persuaded that Vanquis should have completed further checks to ensure the lending would be affordable and sustainable for her.

There are a number of ways that Vanquis could have made further checks. For example, they could have rung Miss P and asked her what her income was. I'm satisfied that if Vanquis had done this as part of a proportionate check, when the checks did not seem to match the income, then Miss P would have told Vanquis the same as she's told us – that her income was £13,000.

It may be that based on the inconsistency of the details on the application, and the checks, that it would be proportionate for Vanquis to complete further checks. For example, they could have asked for Miss P's bank statements to check to see if the proposed credit limit would be affordable and sustainable for her as part of a proportionate check.

So I asked Miss P if she could provide her bank statements leading up to Vanquis' lending decision. Miss P provided her bank statements from April-June 2019. Due to her June 2019 statement being produced after Vanquis' lending decision, I'm not persuaded they would be able to know how Miss P would manage her finances after a lending decision, so they wouldn't be able to take this into account.

But I've looked at the statements Miss P provided me. Miss P's April and May 2019 statements show that £4,165.22 credited her bank account in April 2019 (of which £1,267.49 credited her account from "*Bank Giro Credit(s)*" with the majority of this income in benefits). Vanquis' website shows that people receiving benefits are still eligible to apply for a Vanquis credit card.

Miss P's May 2019 statement shows a total of £2,692.27 crediting her account. Miss P's account balance in April and May 2019 is often showing in the mid-three figure range. There aren't any prolonged periods of time where she has a two figure balance during this timeframe. Her account appears to be well run. She has disposable income to meet non-essential expenditure.

Miss P's bank statements for April-May 2019 show she did not become overdrawn during this timeframe, and her bank statements prior to her being approved for a Vanquis credit card did not show any obvious signs of financial difficulty. So if Vanquis had looked at Miss P's bank statements as part of a proportionate check, then I'm persuaded that they would have still approved Miss P's application, despite the apparent income input error on the application. So I'm persuaded that Vanquis made a fair lending decision to approve Miss P's application.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Vanquis lent irresponsibly to Miss P or otherwise treated her unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here. So it follows I don't require Vanquis to do anything further.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss P to accept or reject my decision before 11 September 2024.

Gregory Sloanes
Ombudsman