

The complaint

Mr M says Vanquis Bank Limited irresponsible lent to him.

What happened

Mr M took out a credit card from Vanquis on 25 March 2024. He was given a £600 credit limit. He says he was given this credit card during a difficult time in his life when he had a gambling relapse. At the time of taking this card out he had three open loans for high amounts and four other credit cards. He is now in a financial crisis with many payment plans.

Vanquis says it carried out proportionate checks that showed the credit was affordable for Mr M.

Our investigator did not uphold Mr M's complaint. He found the lender's checks were proportionate and showed the card would be affordable for Mr M.

Mr M disagreed and asked for an ombudsman's review. He said, in summary, the checks cannot be seen as reasonable given that the amount of credit he had recently taken out. He also asked if Vanquis used any data collected via open banking in its assessment - and if not, why not.

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.

Vanquis will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint about unaffordable and irresponsible lending. So, I don't consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

To decide if Vanquis lent responsibly I need to consider if its checks were proportionate; if not what would better checks most likely have shown; did it make a fair lending decision; and finally did it treat Mr M unfairly in some other way.

Vanquis has shared the results of the checks it carried out prior to opening Mr M's card. It asked Mr M for his income and housing costs. It estimated his living costs using internal models and national statistics. It completed a credit check to understand Mr M's existing credit commitments and credit history. From these checks combined it concluded he could afford a £600 credit limit which would cost him £38 a month.

I think given the value of the opening limit and the stage in the lending relationship these checks were proportionate. And I think Vanquis made a fair lending decision based on the results it gathered. I'll explain why.

Mr M declared an annual income of £28,956 and after taking into account his housing cost (£484), living costs (£556) and credit costs (£480) Vanquis understood he had sufficient

disposable income to sustainably repay this card. The credit checks showed he had £12,238 of unsecured debt and no adverse data on his file. It showed Mr M had recently opened two loan accounts and two credit cards in February 2024, but I am not persuaded this was a reason not to lend. He had not used the credit cards and the loan balances totalled £2,656 so I cannot see Vanquis ought to have made a different decision in these circumstances. There can be a number of reasons for a consumer to open lines of credit – such as wanting to build their credit history, promotional offers, loyalty schemes – it is not necessarily a sign of financial pressure.

I note Mr M says he had opened seven new accounts but only four are visible on the lender's checks. The lender will only see an extract of the applicant's full file and there can be variances due to timing lags or the fact not all lenders reports to all the credit reference agencies. And I can only fairly expect Vanquis to respond to the results its check returned.

Mr M also asked if Vanquis used open banking data to assess his application. I cannot see that it did - but there is no set list of checks it has to do. And as I've said above I think its checks were proportionate in this case. Mr M also asked why other complaints he has raised have been upheld when his circumstances were the same. I can only comment here on the merits of this case, but would say a number of factors can change the level of checks we think are needed – including, but not limited to, the amount and type of credit involved.

It follows I don't find Vanquis was wrong to give this card with its limit of £600 to Mr M. To be clear, I am not doubting Mr M's testimony that he was struggling as a result of problematic gambling. Rather, I find that it would not have been proportionate for Vanquis to complete the level of financial review needed to discover this. I hope Mr M now has the support he needs, if not he could contact GamCare on 0808 802 0133, and Step Change on 0800 138 1111 or National Debtline on 0808 808 4000.

I've also considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Vanquis lent irresponsibly to Mr M or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

My final decision

I am not upholding Mr M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 1 October 2024.

Rebecca Connelley
Ombudsman