

The complaint

Mr P complains Vanquis Bank Limited (Vanquis) failed to carry out sufficient financial checks before it approved a credit card facility for him and subsequently increased the limits on that account.

What happened

Mr P says Vanquis approved a credit card account for him in November 2015 with a credit limit of £500 and subsequently increased the limit on that account on two occasions in June 2017 and November 2017 to £1,500 and £2,250 respectively.

Mr P says Vanquis never requested sight of payslips or bank statements before approving the credit facilities to him, even though he was already struggling to meet his existing monthly payments and had regularly exceeded his limit. Mr P wants Vanquis to refund all interest and charges on the credit card account along with 8% statutory interest.

Vanquis says it provides lending under strict criteria, taking into account personal circumstances and are a second chance lender to assist individuals with moderate means so they have access to credit products.

Vanquis says it carried out appropriate checks before it approved the initial modest limit and the two credit limit increases. Vanquis says its checks showed there were no CCJ's or newly defaulted debt and it considered any external debt before increasing the limits, as part of its affordability assessment as a "low and grow" credit provider. Vanquis says it was satisfied the checks undertaken were proportionate to the amount of credit being provided.

Mr P wasn't happy with Vanquis' response and referred the matter to this service.

The investigator looked at all the available information but didn't uphold the complaint. The investigator pointed out there were no set list of checks lenders like Vanquis must undertake, but these must be borrower focussed taking into account the amount, cost and type of any lending.

The investigator felt Vanquis had carried out sufficient checks before the initial £500 credit limit was approved in November 2015, using information from credit reference agencies (CRA's) and income and expenditure details provided by Mr P on his application. The investigator says Vanquis also carried out affordability checks using data from the CRA's, its own affordability modelling and internally from how Mr P's credit card was managed, before providing the two credit limit increases in 2017. The investigator pointed out there were no defaults, CCJ's or any missed payments recorded.

The investigator says he felt Vanquis made a fair lending decision when it provided the initial modest credit card account limit of £500, based on its affordability model and Mr P's declared income and expenditure at that time.

The investigator says as regards to the two subsequent credit limit increases in June 2017 and November 2017 are concerned, he could see further checks were carried out showing

regular overpayments to the credit card account. The investigator felt while the external borrowing had increased, this borrowing was well managed and only one late over limit fee was evidenced on Mr P's Vanquis account over that two year period - so there was nothing to suggest these limit increases were unaffordable.

Mr P didn't agree with the investigator's view and asked for the matter to be referred to an ombudsman for a final 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.

Having done so, I won't be upholding this complaint and I will explain how I have come to my decision.

I was sorry to learn Mr P has some financial issues and that must be a source of worry to him. When looking at this complaint I will consider if Vanquis acted responsibly when it provided the credit card facilities to Mr P, and before doing so, if the financial checks it carried out were reasonable and proportionate.

Mr P feels Vanquis failed to carry out appropriate financial checks before it approved the credit card account and subsequent limit increases to that account, and it should have carried out further checks - such as sight of bank statements and payslips. While I understand the points Mr P makes here, I'm not fully persuaded by his argument and I will go on to explain why.

As pointed out by the investigator there are no set rules as to what checks lenders like Vanquis must undertake, nor is it for me to tell it from what source those checks must be taken. But I would expect any checks to be borrower focused and to consider the amount, type and term of any borrowing approved.

It's also important to mention here Vanquis are what is known as a second chance, low and grow lender and provide credit to consumers with a less than perfect credit score. This means Vanquis look to provide an initial modest credit facility and then look to increase the facility over time, having seen the account managed within the terms of the agreement - therefore helping consumers like Mr P to build their credit standing over time.

From the information I have seen when Mr P initially applied for a credit card account in November 2015, Vanquis carried out various financial checks including information contained in Mr P's application form detailing his income and expenditure, along with data provided from CRA's and its own internal affordability modelling.

This data showed Vanquis that Mr P had a default registered dating back approximately 12 months, but with no further issues since that time such as CCJ's, missed payments or payday loans. As explained earlier Vanquis are a second chance lender so Mr P would have fitted into its customer profile, and this default alone, wouldn't be a reason for it to decline a modest credit facility as part of its low and grow model. So, with that in mind I'm satisfied Vanquis carried out reasonable and proportionate checks at that time and the modest credit limit looked affordable.

Vanquis subsequently provided two credit limit increases in June 2017 and November 2017 to £1,500 and £2,250. It's worth saying here that Mr P had been a customer of theirs for 18 months and two years respectively by that time and it's fair to say it had built up a reasonable credit relationship with him.

I can see Vanquis, before both credit limit increases, again referred to data from the CRA's to establish income and expenditure averages, used its own affordability modelling and considered the management of the credit card account Mr P held with them. From what I can see during this period leading up to the credit limit increases, there was only one instance of a late payment and over limit charge on his account with them, with the account operating well overall with fluctuating balances and utilisation of the facility. While there was evidence of Mr P taking out external debt, this was also well managed with no further defaults, CCJ's or missed payments registered.

So, taking that into consideration I wouldn't expect in those circumstances for Vanquis to undertake the same level of intensive due diligence one might expect to see for say a larger committed long term loan. So, I'm satisfied from the affordability modelling it carried out, based on internal and external data sources, that was sufficient for it to conclude the limit increases were affordable. So, I wouldn't have expected for Vanquis to have requested sight of further financial evidence such as bank statements or payslips.

I can see Mr P has provided this service with copies of his bank statements, but as I said before I wouldn't have expected for Vanquis to insist on these before it approved the credit card facilities here for the reasons I have already explained. Even if Vanquis had seen the bank statements it's fair to say these showed no obvious signs of financial difficulties with over a two year period showing only two occasions where a very modest overdraft occurred for a matter of a few days. So, I'm satisfied that wouldn't have been a reason for Vanquis not to provide the increased limits in any event.

I've also considered whether Vanquis acted unfairly or unreasonably in some other way given what Mr P has complained about, including whether its relationship with him might have been unfair under s.140A Consumer Credit Act 1974. However, for the same reasons I have set out above, I've not seen anything that makes me think this was likely to have been the case. While Mr P will be disappointed with my decision, I won't be asking anymore of Vanquis here.

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 Mr P to accept or reject my decision before 20 August 2025.

Barry White
Ombudsman