

The complaint

Ms E complains Vanquis Bank Limited (Vanquis) failed to carry out sufficient financial checks before it approved a credit card account for her.

What happened

Ms E says Vanquis approved a credit card account for her in March 2020 with a credit limit of £250 and increased the limit to £450 in June 2024. Ms E says at the time she applied for the credit card account she had a history of defaulted debt and other high cost borrowing. Ms E says Vanquis failed to carry out sufficient financial checks before it approved this borrowing and given her financial background it acted irresponsibly when it approved the credit facilities for her.

Ms E wants Vanquis to refund all interest and charges on the account along with 8% simple interest and to remove any adverse entries from her credit file relating to the account.

Vanquis says it is a responsible lender and provides credit to consumers with perhaps a less than perfect credit background and all of its applications are assessed using a credit score basis. Vanquis says it is a second chance lender and historic negative behaviour wouldn't necessarily lead to an application being declined but would be considered.

Vanquis says when Ms E applied for the credit card account in March 2020, she had declared an annual income of £115,000 and from the credit checks it carried out using credit reference agencies (CRA's), this showed there were no CCJ's and Ms E hadn't defaulted on a debt for nine months. Vanquis says it feels the level of checks it undertook at that time were proportionate to the modest amount of credit being granted.

Vanquis says when the credit limit was increased in June 2024 to £450 it obtained up to date information from CRA's with no CCJ's or new defaulted debt and obtained a refreshed income and expenditure profile from Ms E. Vanquis says at that time Ms E's external debt stood at around £41,000 but together with the other information it had obtained, this stood within its lending parameters. Again Vanquis felt the checks it had undertaken at the time were proportionate to the amount of borrowing approved.

Ms E 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 are no set rules as to what checks lenders like Vanquis must carry out but these should be borrower focused and take into account the amount, type, cost and term of any borrowing.

The investigator says Vanquis had evidenced that at the time the credit card account was approved in March 2020, it had carried out financial checks using information from CRA's and Ms E's application form. The investigator says these checks showed no CCJ's and the last default was nine months old.

The investigator says the checks showed Ms E had a strong net disposable income (NDI) at

that time of in excess of £3,000 per month. The investigator pointed out Vanquis had verified Ms E's income by using data from CRA's and felt the checks it had carried out were reasonable and proportionate and the borrowing looked affordable.

The investigator says when the credit limit was increased to £450 in June 2024, Ms E had declared a net income of £5,500 per month, with low average utilisation of her existing credit card account, with no late or over limit fees and regular overpayments being made.

The investigator says at this time Ms E's debt management had improved with no new defaults or CCJ's with the last default 58 months ago. Overall the investigator felt that Vanquis carried out reasonable and proportionate checks and its lending decision was fair.

Ms E 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.

Ms E feels Vanquis failed to carry out reasonable financial affordability checks before it approved a credit card account for her and subsequently increased the credit limit. Ms E says it was clear on her credit reports that she had a history of defaulted debt and used high cost borrowing, which Vanquis should have known was inconsistent with someone declared as a high income earner.

While I understand the points Ms E makes here, I'm not fully persuaded by her argument and I will explain why.

The first thing to say here, as explained by the investigator, there are no set list of checks lenders like Vanquis must undertake before it provides credit facilities to its customers, but these should be borrower focused taking into account the amount, type, term and cost of any such borrowing. It's also not for me to tell Vanquis what checks it must carry out or from what source those checks must come from.

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

So with that in mind, although at the time Vanquis performed its credit checks using established CRA's and other external data sources and this showed sizeable, defaulted debt, the vast majority of that was over three years old and therefore historic. There was evidence of a smaller defaulted debt of around £1,100 and this was nine months earlier – so I am satisfied this would fall into line with Vanquis's second chance, low and grow approach to borrowers with a less than perfect credit history. What is important is that from the information I have seen, Vanquis did take Ms E's debt history into account at the time it performed its own affordability modelling and used other agency data to verify her income as explained by the investigator. So it would be unreasonable of me to tell Vanquis because Ms E had a less than perfect credit past, that in itself should be sufficient for it to decline any level of future credit.

This data showed Ms E had a strong level of NDI and the modest level of credit it approved looked affordable. So I'm satisfied I wouldn't expect here for Vanquis to carry out the same level of intensive due diligence one might expect for a large long term committed loan, and the checks it did carry out were proportionate and reasonable here, for what after all was a modest starting credit limit of £250.

Looking at the credit limit increase to £450 in June 2024 Vanquis approved, I can see again it relied upon data from CRA's, external income verification sources and this showed again a high level of NDI with no further defaults recorded for approaching five years. I can also see its own affordability modelling showed that even though Ms E had sizeable external debt, this was being well managed and the modest increase to £450 was within her means.

Perhaps as importantly here, by this time Ms E had maintained a financial relationship with Vanquis for over four years, and her account with them had been well run. In fact from the credit card account statements I have seen, from its opening in March 2020 to early 2025, there was no evidence of interest costs being charged relating to any outstanding balances on the account. In fact Ms E in the main cleared the account balance each month paying several times the minimum payment required, and the only charges visible on the account seem to stem from use of the credit card for overseas purchases.

So on balance given the checks Vanquis carried out at that time, I am satisfied these were reasonable and proportionate to the modest amount approved both initially and at the time of the increase and the level of borrowing it approved looked affordable.

I've also considered whether Vanquis acted unfairly or unreasonably in some other way given what Ms E has complained about, including whether its relationship with her 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 Ms E will be disappointed with my decision, I won't be asking anymore of Vanquis.

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 Ms E to accept or reject my decision before 15 September 2025.

Barry White
Ombudsman