

The complaint

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

What happened

Mrs R says Vanquis approved a credit card account for her in September 2019, although at that time she had a poor credit history with defaulted accounts recorded on her credit file, excess credit limits and only minimum payments being made on her existing revolving credit accounts.

Mrs R doesn't feel Vanquis carried out thorough enough financial checks and if it had it would have seen the borrowing was unaffordable. Mrs R wants Vanquis to refund all interest and charges along with 8% simple interest and to remove any adverse entries from her credit file.

Vanquis says it is a responsible lender and it uses credit scoring to assess an individual's ability to pay. Vanquis says it is a second chance lender and therefore any negative historical behaviour wouldn't necessarily lead to applications being declined. Vanquis says before it approved the credit card account facility, it relied upon information in Mrs R's application and data provided by credit reference agencies (CRA's).

Vanquis says this information showed Mrs R declared an annual income of around £20,000 and at that time there were no CCJ's, and while a default was recorded this was 15 months old. Vanquis says Mrs R had external debt of £24,700 but the affordability assessment it carried out showed the modest borrowing it approved was affordable.

Vanquis says it is satisfied proportionate checks were carried out to the amount of credit being granted and didn't agree it had lent irresponsibly.

Mrs R 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 says from the information he had seen, Vanquis had carried out credit searches using CRA's which showed no CCJ's, payday lending and no recent late or missed payments recorded.

The investigator says while a default was recorded, this was over 15 months old, and he didn't feel this would impact on Vanquis' decision to lend as it is a "second chance lender" who support consumers with lower credit ratings.

The investigator pointed out there was an unsecured credit commitment of around £24,700 but the majority of this was made up of a balloon HP agreement, but even so following an affordability assessment it showed Mrs R had a net disposable income of over £500 per month.

Overall the investigator was satisfied Vanquis had undertaken reasonable and proportionate

checks and the new borrowing looked sustainable.

Mrs R 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.

When looking at this complaint I will consider if Vanquis carried out reasonable and proportionate checks before it approved the credit card account for Mrs R in September 2019 and if the credit card account was provided responsibly.

I should mention here that both the investigator and Vanquis have referred to the credit limit as being £500, when in fact that was a typographical mistake as the credit limit approved for Mrs R in September 2019 was actually £250. That said, as the investigator has pointed out to both parties, that doesn't affect the view issued, nor would it change my decision here given the credit provided was actually lower than previously described.

Mrs R's complaint centres around the fact Vanquis failed to carry out thorough enough financial checks before it approved the credit card account for her, and if it had it would have seen the borrowing was unsustainable.

While I understand the points Mrs R makes here, I'm not fully persuaded by her argument and I will go on to explain why.

The first thing to say here is 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 also worth adding that Vanquis are what is described as a "second chance lender" which as the name suggests, means it provides credit to consumers with a less than a perfect credit history. This enables individuals like Mrs R to build up her credit profile over time.

From the information I have seen, before the credit card account was approved by Vanquis it carried out credit checks using data from recognised CRA's and information contained within Mrs R's application. These checks showed that Mrs R declared she was employed earning around £20,000 per annum.

I can see that the searches Vanquis conducted showed a default registered around 15 months earlier, but no further issues since that time, and I am satisfied this would fit in with its approach as a second chance lender, given the affordability checks it had carried out as well.

I can also see that following Vanquis' affordability modelling, using external verification data, this showed Mrs R had a net disposable income at that time of around £500 per month, indicating it would be within her means to meet this modest commitment

The searches Vanquis conducted also revealed that Mrs R had unsecured external debt in

excess of £25,000 but the majority of this was HP balloon style debt, which had been taken into account by Vanquis, when it carried out its affordability assessment, to produce the NDI figure.

It's reasonable to say Vanquis only approved very modest credit facilities to Mrs R here, so I wouldn't expect it to carry out the same depth of financial due diligence one might expect to see when approving say a large, committed long term loan for example. So on balance, I'm satisfied the checks Vanquis did carry out were proportionate to the level of borrowing and having carried out an affordability assessment, the borrowing looked affordable and sustainable at the time the credit card account was approved.

I've also considered whether Vanquis acted unfairly or unreasonably in some other way given what Mrs R 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 Mrs R 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 Mrs R to accept or reject my decision before 17 September 2025.

Barry White
Ombudsman