

The complaint

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

What happened

Miss V says Vanquis approved a credit card account for her in September 2019 with a credit limit of £500, at a time she was already under financial pressure. Miss V says Vanquis failed to carry out proper financial checks before it approved the credit card account and if it had it would have seen the borrowing was unaffordable.

Miss V wants all interest and charges on the account refunded, the debt repaid and any adverse entries on her credit file to be removed relating to this account.

Miss V hadn't received a final response from Vanquis so she referred the matter to this service.

Vanquis says it specialises in providing credit for customers who perhaps are unable to obtain lending from mainstream lenders because of their credit history. Vanquis says it carried out reasonable and proportionate checks before it approved the credit card account for Miss V, including income declared on Miss V's application, and data from the credit reference agencies to carry out an income and expenditure assessment.

Vanquis says while its credit searches revealed a default and a CCJ, these were historic and this wouldn't be a reason for it not to lend to someone looking to repair their credit history. Vanquis says its affordability assessment showed Miss V had a net disposable income of £154 per month and didn't think offering this level of credit was irresponsible.

The investigator looked at all the available information but didn't uphold the complaint. The investigator says there are no set list of checks lenders must undertake before approving credit, but these should be borrower focused and consider the type, cost amount and term of any borrowing.

The investigator says Vanquis carried out an income and expenditure assessment based on information from Miss V's application and from external credit checks it had undertaken. The investigator says this showed Miss V had a net disposable income of £154 per month.

While the investigator noted there were defaulted accounts on her credit file, she felt these were historic and current credit commitments were up to date and the borrowing Vanquis approved looked affordable. The investigator felt the checks Vanquis completed were reasonable and proportionate and its decision to lend was fair.

Miss V 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 Miss V is experiencing financial difficulties and this has affected her mental wellbeing, so this must be a difficult time for her. When looking at this complaint I will consider if Vanquis failed to carry out reasonable and proportionate checks before it approved a credit card account for Miss V in September 2019.

Miss V's complaint centres around the fact Vanquis failed to conduct sufficient financial checks before it approved a credit card account with a credit limit of £500, back in September 2019. Miss V maintains that if it had it would have seen the borrowing was unaffordable.

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

It's 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 background. 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 Miss V to build their credit standing over time.

Also as the investigator has pointed out there's no set list of checks lenders like Vanquis must undertake, but these should be borrower focused meaning it should consider the amount, term, type and cost of any borrowing approved.

Here I can see Vanquis relied upon information declared in Miss V's application and data it obtained from credit reference agencies (CRA's) to conduct its own affordability assessment, and this showed Miss V had an annual income of around £10,000 with a net disposable income of around £154 per month. I can also see Vanquis considered Miss V's past credit history which showed evidence of previous defaults and a CCJ. But as these were 36 months and 23 months old respectively, it considered these to be historic and in line with its "low and grow" lending approach for customers with a less than perfect credit background.

It's worth saying here that I wouldn't expect Vanquis to carry out the same level of financial due diligence for a modest £500 credit card account, as it might for say a large long term committed loan and from what I can see, I am satisfied the checks it did carry out were reasonable and proportionate here and the borrowing looked affordable.

So taking everything into account here, I don't feel Vanquis acted irresponsibly in providing a modest line of credit to Miss V given its approach to consumers with a poor credit history. It's fair to say simply having financial problems dating back almost two years, wouldn't be the sole reason for it to decline this level of credit or to demand further financial information from Miss V. Afterall, Vanquis conducted a thorough affordability assessment before it approved the credit card account.

I've also considered whether Vanquis acted unfairly or unreasonably in some other way given what Miss V 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 Miss V 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 Miss V to accept or reject my decision before 24 September 2025.

Barry White
Ombudsman