

## **The complaint**

Mr T complains Vanquis Bank Limited (Vanquis) failed to carry out sufficient financial checks before it approved a credit card account for him and two subsequent credit limit increases.

## **What happened**

Mr T says Vanquis approved a credit card account for him in November 2016 with a credit limit of £250 and then increased the credit limit to £500 in March 2017 and to £1,500 in January 2020.

Mr T says he was struggling financially at the time the initial credit card account was approved and thereafter used the credit card account for regular cash withdrawals and was close to or over his limit, only making the minimum monthly payments.

Mr T wants Vanquis to refund all interest and charges with 8% simple interest, remove any adverse entries from his credit file and compensate him for the trouble and upset caused.

Vanquis says it is a responsible low and grow, second chance lender who provide credit to individuals with moderate means. Vanquis says before it approved the credit card account and the two subsequent credit card limit increases, it used data from credit reference agencies (CRA's) and Mr T's application to carry out an affordability assessment.

Vanquis says the information showed low levels of external debt relative to Mr T's income and while a default was recorded, this was for a small sum and was historic. Vanquis says it is satisfied the borrowing was affordable and sustainable and it had lent responsibly.

Mr T wasn't happy with Vanquis's 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 there are no set list of checks lenders like Vanquis must carry out, but these need to be borrower focused and take into consideration the type, cost, amount and term of any borrowing.

The investigator says before opening the credit card account for Mr T, Vanquis completed a relatively detailed credit check using data from his applications and the CRA's. The investigator says the credit checks showed a low level of existing debt and while there was a small default, this was historic. The investigator felt given Mr T's level of declared income the borrowing was affordable and the checks Vanquis undertook were reasonable and proportionate.

As far as the subsequent two limit increases were concerned in 2017 and 2020, the investigator pointed out that Vanquis carried further checks using updated credit data which showed very low levels of external debt up to the first increase in 2017 and still only fairly modest levels of external debt in 2020.

The investigator pointed out that when the first limit increase was approved in 2017 the CRA data showed there was no short term lending, CCJ's and his active credit arrangements

were up to date. The investigator felt that while there was some evidence of cash withdrawals at that time and an overlimit which may be of concern, Mr T was typically making payments three times the minimum required and on time, indicating he wasn't struggling to sustain the level of credit in place. So the investigator felt the limit increase was fair.

The investigator says when the final credit limit was approved in January 2020, Mr T was up to date on all his credit arrangements for nearly three years with no significant arrears.

The investigator felt the use of cash withdrawals on the account had reduced with little use of this in the preceding months, and although there was evidence of the limit being exceeded this didn't mean Mr T was in financial difficulty, as these were cleared quickly and the minimum payments were comfortably met.

The investigator also says by the time the final credit limit was agreed, Mr T's default balance was no longer being reported.

So the investigator thought overall Vanquis shouldn't have had any concerns regarding Mr T's overall indebtedness – so more thorough checks weren't necessary. The investigator didn't feel Vanquis had acted unfairly when providing the credit card facilities to Mr T.

Mr T 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 hear Mr T is experiencing financial difficulties and this must be a difficult time for him. When looking at this complaint I will consider if Vanquis acted irresponsibly when it approved a credit card account for Mr T in November 2016 and subsequently increased the credit limits on that account in March 2017 and January 2020.

Mr T's complaint centres around the fact Vanquis failed to take into account that he was struggling financially when he took out the credit card account in 2016, and when the credit card limit increases were approved in 2017 and 2020. Mr T says when the credit limits were increased, he had used the account regularly for cash withdrawals and was over his credit limit on a number of occasions, both of which are a clear sign he was struggling financially.

While I understand the points Mr T makes here, I'm not fully persuaded by his 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 perhaps 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 T to build their credit standing over time.

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.

From the information I have seen, before Vanquis approved the initial modest credit facility of £250 in November 2016 it carried out a credit check using data from CRA's and details contained within Mr T's credit application in order for it to perform its own affordability assessment. This data showed Mr T declared an annual income of £17,000 and had only a modest level of existing external debt of around £100, and while there was a modest default registered, this was around 18 months old and there were no CCJ's or any reportable payment issues.

So with that in mind given the low level of credit approved here, I am satisfied the financial checks Vanquis carried out were reasonable and proportionate and there was nothing to indicate this level of modest borrowing was unaffordable to Mr T.

As far as the two credit limit increases are concerned, again on both occasions in 2017 and 2020 Vanquis relied upon data from the CRA's and additionally looked at the account management. Again here, there were no CCJ's or further defaults recorded and by the time the second increase was approved the default was no longer being reported.

I do understand the points Mr T makes around evidence of cash withdrawals and over limits being a feature prior to these increases. That said as the investigator has highlighted, on the first occasion the limit was increased to £500 in March 2017, while there was evidence of some cash withdrawals, Mr T had also regularly made more than the minimum monthly repayments and on time, and on the one occasion of an overlimit this was corrected in reasonable time.

It's fair to say that cash withdrawals aren't always an indication of financial pressure and after all his external debt was still very modest. So here, given Vanquis low and grow model, I wouldn't expect it to have demanded further financial information before it increased the credit limit to what was after all still at a modest level of £500.

I can see that in January 2020 when Vanquis increased Mr T's credit limit to £1,500 it carried out further credit checks from the CRA's which showed no defaults, CCJ's or reportable payment issues. Additionally from the existing account conduct I can see there was less cash withdrawal activity, with only three recorded in the previous six months, which wouldn't suggest Mr T was reliant on these and it had been 18 months since any over limits had been recorded. So it's fair to say overall, Mr T had more recently managed his credit card account fairly well and by this time he had held an acceptable financial relationship with Vanquis for around three years.

I should point out that I wouldn't expect in these 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 and other external financial checks Vanquis carried out before the credit limits were increased, this was sufficient for it to conclude the new lending was affordable.

Having said that, Mr T provided this service with copies of his bank statements leading up to the second limit increase and these indicate Mr T's income was similar to what he originally declared when he applied for the account in 2016. From what I could see even if Vanquis had requested sight of these statements, it wouldn't have concluded there was any obvious financial issues.

While the statements do indicate Mr T does use cash frequently this isn't uncommon and is after all a legitimate way to carry out one's finances. So it may just be that this is Mr T's preferred way of spending on his account and could explain why he used his credit card that way too, on some occasions.

So based on what I have already explained, and on balance, I'm satisfied Vanquis carried out reasonable and proportionate checks and its decision to lend was responsible.

I've also considered whether Vanquis acted unfairly or unreasonably in some other way given what Mr T 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 T 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 Mr T to accept or reject my decision before 10 September 2025.

Barry White  
**Ombudsman**