

The complaint

Mr B complains Vanquis Bank Limited (Vanquis) failed to carry out sufficient financial checks before it approved a credit card account for him.

What happened

Mr B says Vanquis approved a credit card account in April 2019, with a credit limit of £500. Mr B says at that time he had a history of defaulted accounts, excess limits and late payments and Vanquis failed to adequately assess the sustainability of any further borrowing.

Mr B wants Vanquis to refund all interest and charges on the account along with 8% simple interest and remove any adverse entries on his credit file relating to that account.

Vanquis says it is a responsible lender and uses industry standard credit scoring methods to assess each application. Vanquis pointed out it is a “*second chance*” lender and provides modest initial limits to those consumers with perhaps a less than perfect credit background to help those consumers build up their credit profile. Vanquis says its financial checks showed there were no CCJ’s, payment plans or recently defaulted accounts and Mr B’s net disposable income was around £1,000 per month.

Vanquis feel it carried out proportionate checks before it approved the credit card account for Mr B, for the amount approved, and its lending decision was made responsibly.

Mr B didn’t agree with Vanquis’ decision and referred the matter to this service.

The investigator looked at all the available information but didn’t uphold the decision. The investigator pointed out there were no set list of checks Vanquis must carry out, but these should be borrower focused taking into account the amount, cost, type and term of any borrowing.

The investigator says Vanquis had carried out external credit checks and these showed there were there were no CCJ’s, IVA’s, pay day loans or active payment plans in place at the time of the application. The investigator says Mr B’s income of around £3,000 per month declared by him in his application, was verified by Vanquis and this showed he had net disposable income in the region of £1,000 after all essential costs.

The investigator pointed out there was no evidence to suggest Mr B was struggling financially and felt Vanquis had carried out reasonable and proportionate checks before it approved the credit card account for him.

Mr B 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 B is experiencing financial difficulties and that must be a source of worry for him. When looking at this complaint I will consider if Vanquis failed to carry out reasonable and proportionate checks, before it approved the credit card facility of £500 for Mr B in April 2019.

Mr B maintains Vanquis' financial checks weren't robust enough to conclude this new level of borrowing was sustainable for him. Mr B says if Vanquis had carried out a more thorough check it would have shown the new borrowing was unaffordable.

While I understand the points Mr B makes here, I'm not fully persuaded by his argument and I will go on to explain why.

The first thing to say here is there is no set list of rules as to what checks banks like Vanquis must undertake when looking to provide credit to its customers. But these should be customer focused and take into account the sustainability and affordability of such a commitment, considering the amount, type, term and cost of any such borrowing.

It's not for me to tell Vanquis what sources it must use to conduct such checks, but here I can see it use recognised credit reference agencies (CRA's) for its credit assessment.

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

Here, from the information I have seen before Vanquis approved the credit card facility to Mr B in April 2019, it carried out external credit checks using data provided by CRA's and additionally used other external industry standard sources to assist in verifying income declared by Mr B in his application.

From the information I have seen Vanquis assessed Mr B's net disposable income (NDI) of around £1,000 per month after taking into account associated housing and essential living costs, using industry standard external sources along with what Mr B had declared as his annual income of around £48,000. While Mr B feels strongly Vanquis hadn't fully accounted for the cost of an external loan he had, I can only consider what Vanquis would have relied upon at that time. That said, even if the cost of the loan, that Mr B says was circa £380 per month was accounted for, that would have still left Mr B with over £600 per month NDI- for what was a modest £500 credit card commitment.

It's reasonable to say here, I wouldn't expect here 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 Vanquis carried out, based on internal and external data sources, that was sufficient for it to conclude the new lending was affordable.

Having reviewed the financial information, from what I can see there was no obvious signs of any recent financial pressure and I'm satisfied a previous historic default wouldn't be the sole reason for Vanquis to demand sight of income verification or decline a modest level of credit like this - given its "*low and grow/second chance lender*" approach.

So on balance, I'm satisfied Vanquis did carry out reasonable and proportionate checks before it approved the credit card account limit of £500, and its decision to lend to Mr B was responsible, for the reasons I have already explained.

I've also considered whether Vanquis acted unfairly or unreasonably in some other way given what Mr B 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 B 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 B to accept or reject my decision before 18 September 2025.

Barry White
Ombudsman