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Vanquis Banking Group PLC
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Vanquis Banking Group third quarter 2025 trading statement
Capital optimised, profitable growth continues

London - 5 November 2025 - Vanquis Banking Group plc ('the Group' or 'Vanquis'), the specialist bank, today published its third quarter trading statement for the three and nine months to 30 September 2025.

Ian McLaughlin, Chief Executive Officer, commented:

"In the third quarter of 2025, we continued to build scale, with gross customer interest-earning balances up 8% in the quarter and 18% year-on-year. Product margins remained resilient and profitable. The Group therefore delivered a statutory profit in the third quarter and across the nine months to 30 September, reflecting sustained operational momentum. We remain on track to achieve a low single-digit statutory Return on Tangible Equity (RoTE) for the full year, consistent with previous guidance.

Following the FCA's consultation on motor finance redress, Vanquis expects its exposure to be limited. We did not participate in discretionary commission arrangements (DCAs) or operate tied arrangements. Based on a number of probability weighted scenarios, the Group has recognised a £3.0m provision.

Operating costs remain well controlled and our previously committed Transformation cost savings are unchanged. Our technology programme, Gateway, remains substantively on track and is already delivering benefits in cost efficiency, customer experience and risk management. Credit quality remains robust, with customers continuing to demonstrate financial resilience.

In October, we successfully issued £60m of Additional Tier 1 (AT1) Notes to further optimise our capital structure and support future growth. We continue to execute with discipline and remain focused on supporting customers while delivering sustainable, profitable growth for all stakeholders."

Key metrics

Three and nine months ending (£m)	30 Sep 25	30 Jun 25	QoQ % Change	30 Sep 24	YoY % Change
Gross customer interest earning balances[1]	**2,652**	2,459	8%	2,252	18%
Net receivables	**2,510**	2,325	8%	2,082	21%
Year-to-date net interest margin (NIM)[2]	**17.0%**	17.4%	(0.4)	18.7%	(1.7)
Common Equity Tier 1 (CET1) and Tier 1 capital ratio[3]	**17.4%**	18.5%	(1.1)	18.7%	(1.3)
Pro-forma Tier 1 capital ratio[4]	**20.3%**				

Financial highlights

- **Gross customer interest earning balances** grew 8% in the quarter and 18% year-on-year to £2,652m.
  - **Credit Card** balances increased for the second consecutive quarter, reflecting further card utilisation by existing customers driven by deeper engagement and retention strategies, as well as new customer growth across existing and new products.
  - **Vehicle Finance** balances declined in line with expectations, ahead of the launch of the new onboarding and servicing platform in 2026 as part of the Gateway technology transformation.
  - **Second Charge Mortgage** balances continued to grow at a steady monthly rate, reaching c.

£480m at the end of September 2025.

- **Net receivables** increased 8% in the quarter and 21% year-on-year to £2,510m, reflecting growth in interest-earning balances, lower impairment coverage required on lower-risk Second Charge Mortgages, and robust credit performance in Credit Cards and Vehicle Finance. A further debt sale from the Vehicle Finance post-charge-off asset population was also completed in the quarter.
- **Year-to-date NIM** reduced 40bps quarter-on-quarter and 170bps year-on-year to 17.0%, reflecting the lower yield on Second Charge Mortgages and growth in 0% balance transfer and promotional Credit Card products. This was partially offset by improved yield in Vehicle Finance and a lower cost of funds.
- The **CET1 capital ratio** reduced 110bps in the quarter to 17.4% reflecting the deployment of capital to support growth.
    - The **Tier 1 capital ratio** as at 30 September 2025 was also 17.4%, however, following the inaugural issuance of £60m of Additional Tier 1 (AT1) Notes on 1 October 2025, the pro-forma Tier 1 capital ratio increased to 20.3%. The Group concurrently tendered £58.5m of Tier 2 Notes. This transaction made the capital structure more efficient, providing further CET1 capital capacity to continue growing gross customer interest-earning balances.

Operational highlights: customer, operational efficiency and technology transformation

- **Customer:** Credit card customers grew to over 1.3m and active Snoop users rose 13% year-on-year to 313k, with Vanquis customers using Snoop increasing 14% to 47k. Snoop offers customers valuable money-management tools and provides an additional source of funding through its savings proposition.
- **Operational efficiency:** The Group remains on track to deliver £15m of committed Transformation cost savings by year-end 2025, with reductions delivered through expanded use of AI, new technology tools reducing fraud losses, and further rationalisation of the property footprint.
- **Technology transformation:** In Vehicle Finance, a new customer service web chat channel using agentic AI deployment was implemented in the quarter. The new mobile app launches in November, with the roll out to all customers expected from early December 2025. The new Credit Card onboarding and decisioning platform is expected to go live in January 2026.

FCA motor finance compensation scheme consultation

- Vanquis did not participate in discretionary commission arrangements (DCAs) and did not operate tied arrangements.
- The Group has a limited number of credit agreements potentially subject to the FCA motor finance compensation scheme. The vast majority (c.98%) of commissions paid were not above 35% of the total cost of credit and 10% of the loan amount.
- The FCA comments in the consultation that non-prime lenders, which include Moneybarn (Vanquis' Vehicle Finance business), may rebut the presumption of customer loss by demonstrating that the customer would not have secured a better deal elsewhere. In such cases, no redress would be due. The Group believes a number of its agreements may meet this test and is collating the required supporting evidence.
- While the final scope of the scheme remains subject to change, the Group has recognised a £3.0m provision based on a number of probability weighted scenarios. If the scheme proposals and assumptions included in the consultation are to be fully implemented, an additional liability of £4.0m may arise, primarily due to increased operating costs associated with customer outreach. Refer to Appendix 1 for further details.
- This provision will be reviewed and refined once the FCA publishes the final scheme rules.
- Vanquis remains committed to ensuring customers receive appropriate redress where loss has occurred. Based on our current understanding, we believe the proposed scheme may not reflect the actual financial impact on customers or align with the principle of proportionate and reasonable compensation where harm is demonstrated. We also note that the scheme's approach to assessing unfairness differs from the fact-specific methodology outlined in the Supreme Court's *Johnson* judgment, which considered a range of factors. The Group is engaging constructively with the FCA during the consultation to share its perspective.

Outlook and Guidance

- The Group continues to guide to a low single-digit statutory ROTE for FY25.
- FY25 gross customer interest-earning balances are now expected to be >£2.7bn (previously >£2.6bn), reflecting deliberate additional volume growth in lower-risk, but lower-margin Second Charge Mortgages. As a result, NIM is now expected to be >16.5% (previously >17%). These mix

Charge Mortgages. As a result, NIM is now expected to be >16.5%(previously >17%). These mix effects are expected to broadly offset, leaving net interest income in line with prior expectations.

· All other financial guidance remains unchanged.

Footnotes

1 . *Gross customer interest earning balances exclude post charge off assets and deferred acquisition costs, which are included in gross and net receivables.*

2. *YTD NIM is calculated as interest income less interest expense for the six- and nine-month periods to 30 June and 30 September respectively, as a percentage of average gross customer interest earning balances for the six and nine months to the period end, using 7- and 10-point month end averages.*

3. *The CET1 / Tier 1 capital ratio is calculated as the ratio of the Group's CET1 / Tier 1 capital as a percentage of the Group's risk-weighted assets (RWAs) measured in accordance with the UK Capital Requirements Regulation.*

4. *The pro-forma Tier 1 capital ratio includes the benefit of the issuance of £60m of AT1 Notes as at 30 September 2025. These Notes settled on 1 October 2025.*

Enquiries

Analysts and shareholders

James Cranstoun, Head of Investor Relations
james.cranstoun@vanquis.com
+44 (0) 7766 937 406

Media

Scott Mowbray, Head of Group External Communications
scott.mowbray@vanquis.com
+44 (0) 7834 843 384

Victoria Ainsworth, Senior Director (Hawthorn Advisors)
vanquis@hawthornadvisors.com
+44 (0) 7894 995 886

Forward looking statements

This report may contain certain "forward looking statements" regarding the financial position, business strategy or plans for future operations of Vanquis Banking Group. All statements other than statements of historical fact included in this document may be forward looking statements. Forward looking statements also often use words such as "believe", "expect", "estimate", "intend", "anticipate" and words of a similar meaning. By their nature, forward looking statements involve risk and uncertainty that could cause actual results to differ from those suggested by them. Much of the risk and uncertainty relates to factors that are beyond Vanquis Banking Group's ability to control or estimate precisely, such as future market conditions and the behaviours of other market participants, and therefore undue reliance should not be placed on such statements which speak only as at the date of this report. Vanquis Banking Group does not assume any obligation to, and does not intend to, revise or update these forward-looking statements, except as required pursuant to applicable law or regulation. No statement in this announcement is intended as a profit forecast or estimate for any period. No statement in this announcement should be interpreted to indicate a particular level of profit and, as a consequence, it should not be possible to derive a profit figure for any future period from this report.

Appendix 1: FCA motor finance compensation scheme provision

On 7 October 2025, the FCA announced its consultation on a motor finance compensation scheme. The consultation recommends the scheme should cover regulated motor finance agreements taken out between 6 April 2007 and 1 November 2024 where commission was payable by the lender to the broker. The consultation has considered that agreements during the above time period will be considered unfair because they involve inadequate disclosure of one or more of the following:

- A discretionary commission arrangement (DCA)
- High commission (where the commission is equal to or greater than 35% of the total cost of credit and 10% of the loan)

- Contractual ties that gave a lender exclusivity or a right of first refusal.

Vanquis did not participate in DCAs and did not operate tied arrangements. The Group had 7,133 credit agreements written between 6 April 2007 and 1 November 2024 which would meet the high commission criteria, with no agreements pre-2016 in scope. This represents c.2% of the total 358,720 credit agreements written during the period.

The Group has recognised a £3.0m provision based on a number of probability weighted scenarios. Assuming the proposed base case redress calculation within the consultation, including an estimate of 85% of eligible consumers taking part in the scheme and simple interest applied at 1% above the base rate, the estimated costs would be £7.0m.

	£m
Provision recognised based on probability weighted scenarios	**3.0**
Estimated costs based on FCA consultation:	
Customer redress and interest	3.6
Operating costs of implementing and executing the scheme	1.4
Operating costs of customer outreach (by recorded delivery to all 358,720 customers who took out credit agreements during the period)	2.0
	7.0

From a regulatory perspective, Vanquis' commissions disclosures were in accordance with the Consumer Credit Sourcebook (CONC) rules as set out by the FCA, and prior to April 2014, in line with guidance provided by the Office of Fair Trading.

In the Supreme Court's *Johnson* judgment, the relationship was deemed unfair due to a range of factors, including a disproportionately large commission (55% of the total credit charge) which was not brought to the customer's attention and a "first refusal" arrangement, despite messaging to the customer that a panel was being used to find the best deal for them. As previously stated, the facts and circumstances of Vanquis' credit agreements were materially different to the *Johnson* case.

The Group has had over 400 decisions from the FOS relating to motor finance commissions, all of which were in Vanquis' favour. The Group has also successfully defended 63 out of 66 Vehicle Finance commission court cases.

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