

The complaint

Mr D's complaint about Vanquis Bank Limited (Vanquis) relates to an increase in his credit limit in August 2018 which he feels was irresponsible.

What happened

Mr D feels Vanquis were irresponsible in increasing the credit limit on his credit card account from £500 to £1,250. He feels that if proper checks had been carried out Vanquis would have realised that the increased credit limit was unaffordable for him.

Vanquis said they undertook a number of checks and based on that and his payment history, they concluded the increase was affordable. In addition, they provided Mr D with notice of the increase so that he could decline it if he wished. So, they did not accept they had acted unfairly.

One of our investigators looked into the complaint and thought Vanquis hadn't done anything wrong. Mr D didn't agree and asked for the complaint to be passed 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.

I'm very sorry to hear of the impact this matter has had upon Mr D's health and do hope that it has improved.

In the circumstances here, the relevant rules and guidance say that Vanquis was required to assess whether Mr D was able to repay any borrowing in a sustainable manner. Those rules and guidance are found in the Financial Conduct Authority's (FCA) Consumer Credit sourcebook, along with best practice guidance from other organisations. They require businesses to undertake a reasonable assessment of a customer's creditworthiness before they significantly increase a customer's credit limit. And also to consider how any increase may adversely impact a customer's financial situation, by taking into account;

- the information it already has about the customer at the time of the increase.
- the ability of the customer to make repayments as they fall due.
- information obtained from a credit reference agency (CRA), and review the information on a consumer's credit file plus any one of these three:
 - 1) the customer's income and financial commitments.
 - 2) how they have handled their finances in the past.
 - 3) internal credit scoring techniques.

In this case the credit limit was being increased by £750 which although a relatively modest sum, is still more than double the original credit limit, and so it is understandable that Mr D views it as a large increase.

The evidence from Vanquis though, shows that upon review of Mr D's credit limit they carried out a risk assessment which consisted of credit scoring to assess whether the increase would be affordable. Searches undertaken by Vanquis at that time also revealed no outstanding judgments against him or any defaulted debt being reported on his credit file. Vanquis also took account of his payment history which showed he'd made all his monthly payments except for one in November 2017. Further, it revealed he was generally paying much more than the minimum payment required. Vanquis also looked at Mr D's other credit which showed he'd got external debt of £3,951 and hadn't made a late or incomplete payment in the seven months preceding the increase.

All of that indicates to me that Mr D was managing his finances and wasn't in financial difficulty. Just because there is one missed payment, this alone doesn't mean that a person is in such difficulty or is unable to afford their credit. As far as I can see Mr D didn't advise Vanquis that he was experiencing financial difficulty at that time either, because the first contact on that point was after he lost his job which was in March 2019 after the increase in limit.

So, I can't say that Vanquis have acted irresponsibly here. What I'd expect is for them to have performed proportionate checks on the affordability of any increase before they increased Mr D's limit, and based on the information available to me, I'm satisfied they did.

The best practice guidelines say that a card issuer should give 30 days' notice of any increase and it should offer the customer the option to reject the increase in writing, online or by telephone. I've also looked at the terms and conditions which governed Mr D's account to see if Vanquis acted fairly here. I can see that they state that provided Mr D is given adequate notice they were entitled to increase the limit. And here they did give notice by email, and I am satisfied that such an email was sent to Mr D.

Mr D then had a choice to make as to whether he would accept or decline the offer, being told that if he wished to decline he should notify Vanquis within 30 days. As Mr D didn't notify Vanquis the increase was then applied. Mr D could also have notified Vanquis after that point in time that he wished the limit to be reduced if he'd so wished. So, I am satisfied that Vanquis did perform proportionate checks prior to increasing Mr D's limit and hasn't been irresponsible in lending to him. So, I can't say Vanquis has acted unfairly here and I'm not upholding this complaint.

My final decision

For the reasons set out above I do not uphold the complaint against Vanquis Bank Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 11 November 2020.

Jonathan Willis
Ombudsman