

The complaint

Miss H believes Vanquis Bank Limited lent to her irresponsibly and shouldn't have accepted her credit card application. She also thinks it shouldn't have later increased her credit limit and shouldn't charge interest on the credit card account while she was repaying it.

What happened

Miss H applied for the credit card account in 2016. She told Vanquis she was in full-time employment earning £21,000 a year. At the time of her application her credit file showed that she had a history of defaults but that it had been 40 months since her last default. She was initially given a credit limit of £500.

When she first got her card she used it regularly and made a number of large payments which reduced the balance. Vanquis considered that given her account management it was reasonable to offer to increase her credit limit. Vanquis has told this service that it carried out another check before making the offer and found that Miss H had increased her borrowings to over £6,000 and she was maintaining payments on this debt. It felt that it had evidence that Miss H was able to manage higher levels of debt from internal and external sources. It gave Miss H 30 days to decline the offer of an increase to her credit limit. Miss H didn't let Vanquis know that she didn't want this to happen so the credit limit increased.

Miss H continued to spend on her card and found herself in financial difficulty. After she let Vanquis know about her problems it agreed a debt management plan and froze the interest on her account.

The investigator didn't recommend the complaint be upheld. He was satisfied Vanquis undertook the appropriate checks at the time of Miss H's application to come to its decision to offer her a credit card account with a limit of £500. He was further satisfied Vanquis undertook further appropriate checks when it offered to increase the credit limit which were proportionate to the level of the increase. He felt the four payments Miss H made by debit card of £480, £460.30, £868.00 and £630.66 on 10 December 2016, 2 March 2017, 1 July 2017 and 18 September 2017 demonstrated that she was able to make larger payments to her account and also demonstrated the affordability of the higher credit limit. He felt that when Vanquis was notified of Miss H's financial difficulties it demonstrated it was willing to help when it was made aware she was in financial difficulties.

Miss H disagrees. She says that every time she paid off the credit card she was either signing up to another credit card to pay it off or taking out a loan. She says she was in a debt management programme with another company from 2016.

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 am sorry to hear that Miss H has experienced financial difficulties.

Based on what I've seen I don't think that Vanquis was irresponsible when it offered her a credit card account. It carried out checks which showed that, whilst she had a history of defaults, she had been 'default-free' for 40 months. It offered her a relatively low credit limit of £500 and its records show that Miss H told it she was in full time employment earning £21,000 each year.

After taking out the credit card, judging by the transaction history on the account, Miss H appeared to be managing the debt quite well. I think it was reasonable for Vanquis to consider increasing her credit limit. Vanquis has told this service it didn't just rely on its own dealings with Miss H to make this decision it also looked at her wider credit history. It did see that her borrowings had gone up by more than £5,000 in five months. It saw this as a sign she was able to manage her debt. It also saw that Miss H hadn't missed any payments for 44 months.

Miss H has told this service that every time she paid off the credit card she was either signing up to another credit card to pay it or taking out a loan. She has also told us that she is only on carer's allowance of £66.15 a week; this is a lot less than the income she enjoyed at the time of her application when she was in full-time employment and earning £21,000.

I was concerned to see the level of debt Miss H took on so quickly over the period following her opening her credit card account. Given what we now know it looks like Miss H struggled with her borrowing very early in the account history. But to decide whether Vanquis did anything wrong I need to look at what it knew when it offered to increase the limit and whether it should have made further enquiries. I think Miss H's management of the account made it reasonable for Vanquis to consider offering her an increase in her credit limit. I think it was reasonable for it to carry out further checks. When those checks showed increased borrowing I think it was reasonable for Vanquis to consider this. It thought this showed that Miss H was able to manage higher levels of debt. We now know this turned out not to be true. But I don't think Vanquis was wrong to conclude this.

I think, if Miss H was relying on borrowing to enable her to make payments or if her employment circumstances had changed then it would have been beneficial to her to let Vanquis know when it offered to increase her credit limit. Unfortunately she didn't share this information with Vanquis.

There is no evidence that Vanquis knew that Miss H had entered into a debt management plan as Miss H has said in 2016. Once Vanquis was notified of her financial difficulties it agreed a debt management plan and stopped interest and charges. I think this was a positive and sympathetic response to her difficulties. I won't be asking it to do anything more.

My final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 13 July 2020.

Nicola Wood
Ombudsman