

The complaint

Mr U complains that Vanquis Bank Limited acted irresponsibly by increasing his limit on his credit card account, when he was showing signs of having financial difficulties.

What happened

In 2012, Mr U took out a credit card account with Vanquis. He had a credit limit of £250. However, it reviewed this limit over the intervening years, and wrote to Mr U when it intended on increasing it.

In May 2014, Vanquis sent Mr U an email to say that it would be increasing his credit limit to £3,000, unless he contacted it within 30 days to say that he didn't want this. And in June 2016, it sent Mr U an email to say that this limit would be going up to £3,500 but Mr U could say that he didn't want to accept this.

Towards the end of 2017, Mr U's personal circumstances changed, and he began finding it difficult to meet his monthly credit card payments. Some direct debit payments were returned as unpaid, and other payments were made late. This meant that charges were applied, and Mr U's balance exceeded his credit limit at times.

Vanquis tried to contact Mr U about his account but wasn't able to speak with him. And, in 2018, his account was transferred to its credit services department to collect his payments. He was sent a default notice in March 2018. Mr U's credit card debt was then sold to a third party in September 2019.

Mr U complained. He said that Vanquis had provided him with more credit than he could ever afford to repay – increasing the limit on his credit card several times, when he only ever made the minimum repayments towards it. He feels this made his financial position worse and caused distress to him and his family. He wanted Vanquis to remove all the interest and charges applied to his account and apply to payments he made to his actual spending. He asked it to remove any late payment and default markers from his credit record.

Vanquis reviewed the lending decisions it had made to increase Mr U's credit limit and said there was no reason to say that these were irresponsible. It said that it had made relevant checks before offering increases to make sure a responsible lending decision was being made. It said that Mr U had maintained all the minimum payments requested and had shown that he was managing to make payments towards his debts. Vanquis said that the increased limit was offered to Mr U by email which asked that he contact it within a 30-day notice period if he didn't want the increase to go ahead.

Vanquis acknowledged that Mr U had had a default registered, but this was a year before 2014. It said it aims to assist customers with moderate means to have access to credit products. It said that it operates a 'low and grow' model – providing customers with an initially low credit limit and only increasing it when they've shown they can manage their account well. Vanquis said Mr U's overall level of unsecured debt was within its lending policy and his defaulted balance had decreased within the time the increases were offered. It said it was satisfied that it had made appropriate checks that were proportionate to the amount of credit being granted.

One of our investigators looked into the complaint. He said he unable to look at the credit increases that happened before 2014, as these were more than six years ago. But he looked at the increases in 2014 and 2016 and didn't think that Vanquis had acted irresponsibly in offering them to Mr U at those times. He said it had looked at Mr U's overall debt balance and he was successfully making payments towards this. He said Vanquis had offered Mr U the opportunity to reject the increased limit.

Mr U didn't accept the investigator's findings and asked for his complaint to be reviewed. He said he was only making the minimum payments towards his debts, and his balance was close to his credit limit. He said his credit file would've shown late payment markers at the time.

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 this, I find I've reached the same conclusion as the investigator for much the same reason. I appreciate the points Mr U has made about the increases to his credit limit and why he believes this was irresponsible, but I don't think that was the case here.

Vanquis has said that it carried out relevant checks before offering Mr U the increases in 2014 and 2016, and this included the total amount of unsecured debt he had at the time, together with how he'd been managing his account. Mr U had been maintaining his monthly repayments and had paid off lump sum amounts to reduce his balance at the start of 2015. Vanquis's checks did show a defaulted debt, but that this had been registered a year earlier than the offer in 2014.

I do appreciate that unfortunately Mr U did later find himself having difficulty meeting the required payments, and I understand that this was because of a reduction in his income. But I don't think this in itself means that Vanquis was irresponsible in offering him an increased credit limit at the times it did.

Mr U was notified of these offers in advance of the increase going ahead, and the emails said that Mr U could contact Vanquis if he didn't want this.

Towards the end of 2017, Mr U didn't make his monthly repayment, and so fees and charges were applied for the late payments and when the credit limit on the card was exceeded. I don't think these charges were unfair when they were applied in accordance with the terms and conditions of the account.

Vanquis has said that it offered to refund £200 to Mr U's account if he made a payment of £461 by the first week in March 2018. But no payment was made and so Mr U was sent notice that his account would default. The notes indicate that Vanquis tried to contact Mr U by phone, through messages and in writing through this time.

Overall, I don't think that Vanquis has acted unfairly or unreasonably with the way it has dealt with Mr U's account, either through the offering of a higher credit limit, or through the default process.

Vanquis sold Mr U's debt onto a third party in September 2019. That company is now the legal owner of the debt, so I can only suggest that Mr U contacts it directly to arrange a mutually acceptable repayment plan.

My final decision

My decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr U to accept or reject my decision before 24 August 2020.

Cathy Bovan
Ombudsman