

Complaint

Mr G complains that Vanquis Bank Limited acted irresponsibly when it granted him a credit card account and subsequently increased the credit limit several times.

Background

Mr G applied for and was granted a credit card account with Vanquis in November 2012. He says Vanquis increased the credit limit in April 2013, September 2013, February 2014, July 2014, October 2016 and June 2017. Over this period his credit limit increased from £250 to £3500.

Mr G says Vanquis shouldn't have given him the card or increased the limit. He says Vanquis didn't carry out affordability checks. He says he only ever paid the minimum payment and had to borrow money to make the payments. He also says he had severe addiction problems and Vanquis should've been aware of this. He wants all the interest and fees refunded and he wants the default markers removed from his credit file. He complained to Vanquis about these matters.

Vanquis investigated his complaint. It said his application had been assessed using credit scoring. This meant it had assessed his credit stability and his ability to pay the card debt. It said the lending was within its policy and the account had been reviewed regularly for increases. It also said it had carried out further credit assessments each time it had increased the credit limit and Mr G had never declined any of those increases.

Mr G didn't agree and so he referred his complaint to our service. Our investigator looked into it. He said we couldn't look into the part of his complaint about the original application to Vanquis because more than six years had passed and Vanquis hadn't given its consent. Mr G accepted this and confirmed that we should only look at the credit limit increases.

Our investigator looked at the credit limit increases. He thought Vanquis had assessed Mr G's credit worthiness. He said that making only the minimum payments wasn't necessarily a sign of financial difficulties. He also said that Mr G had never declined any credit limit increases he'd been offered. He said we'd expect Vanquis to treat Mr G positively and sympathetically when he fell behind with his payments. Vanquis had asked Mr G to contact its credit services department to discuss his payment difficulties and our investigator thought this was fair and reasonable. So, he didn't uphold the complaint.

Mr G didn't agree and so the complaint has been passed to me to decide.

My findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. For mainly the same reasons as our investigator I won't be upholding this complaint.

At the outset, I'd just make clear that I'm only looking at the increases in the credit limit. For the same reasons as our investigator I'm not looking at the original decision to grant Mr G a credit card. I can see Mr G has accepted this and confirmed we should only consider the increases to the credit limit.

Before making a decision to grant or increase a credit limit a lender is required to carry out a reasonable assessment of the creditworthiness of the consumer. That requires the lender to carry out reasonable and proportionate checks to satisfy itself that the consumer would be able to repay any credit. In addition the lender is required to carry out a borrower focused assessment of ability to repay the amount borrowed in a sustainable way. These checks enable the lender to satisfy itself that the consumer can afford the credit limit and is unlikely to experience financial difficulty. Sometimes, where the lender is aware of special circumstances, it is required to take extra steps to ensure that any lending decision is responsible.

So, when looking at Mr G's complaint about the increases in his credit limit in the period since the account was opened, I've considered the actions Vanquis took each time it increased the credit limit.

Vanquis carried out a number of checks and used its own credit scoring before increasing the credit limit. The type of checks included information from credit reference agencies and information about Mr G's outstanding balances with other lenders. Based on this information Vanquis was satisfied that Mr G could afford the increased lending. I think it was reasonable and proportionate for Vanquis to rely on this information.

In addition to carrying out these checks I'd also expect Vanquis to have considered how the account was managed by Mr G. The statements for the account, up to the date of the last credit limit increase (June 2017), show that there hadn't been any charges for overlimits or late payments – with one exception. In March 2016 an overlimit charge was applied. But the account was brought up to date soon after the overlimit occurred. So, I don't think this would have meant Vanquis shouldn't increase the credit limit.

Mr G has told us he had a severe addiction problem. I can see there were gambling transactions on the account. But, the fact that there were payments to gambling sites wouldn't on its own mean that Vanquis acted irresponsibly. So, I've considered whether Vanquis had other information which it should've taken into account in circumstances where there were gambling transactions.

I haven't seen anything to suggest Mr G told Vanquis he had a problem with gambling or that he had financial difficulties. Vanquis sent him a letter each time to tell him about the increases and he was given the opportunity to decline. He never declined any of the credit limit increases.

There had been gambling transactions on the account over several years but the spending on gambling transactions increased in the period since around July 2016. So, I've considered whether this should have raised alarm bells with Vanquis and whether it acted responsibly when it further increased the credit limit in October 2016 and June 2017.

During the period from July 2016 to June 2017 Mr G didn't incur any overlimit or late payment charges. He continued to make the regular minimum monthly payments and he made additional credits to his account by way of debit card payments and electronic payments. By doing this he ensured that the card stayed within the credit limit. And, on some occasions the additional payments meant that the outstanding balance was reduced significantly.

So, I don't think there was anything to suggest that Mr G was struggling to make these additional payments. And, as I've mentioned above he didn't tell Vanquis he was experiencing difficulties making the additional payments.

I've also looked at the period after June 2017 and I note that Mr G continued to manage his account within the agreed limit, and to make his regular monthly payments, until around April 2018.

So, having considered everything here, I'm satisfied that Vanquis wasn't acting irresponsibly when it increased the credit limit.

Mr G has told us about the financial difficulties he's experiencing. Where a customer has financial difficulties we'd expect the business to treat him positively and sympathetically. Vanquis has suggested that Mr G should contact its credit services department for assistance with his financial difficulties so that it can discuss an affordable repayment plan with him. I think that's fair and reasonable. But, I don't require it to do anything more.

My final decision

For the reasons given above I do not uphold this complaint against Vanquis Bank Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 21 July 2020.

Irene Martin
Ombudsman