

The complaint

Mr R complains that Vanquis Bank Limited (“Vanquis”) take too long to let him use his full credit limit after he’s paid some of the balance off. He feels this is particularly unfair, as he’s paying what he feels is a high rate of interest on the balance owed.

What happened

In their response to Mr R’s complaint, Vanquis explained that they add money to a credit account as soon as it’s received. But they said they don’t allow that money to be used until a period where the payment could be reversed has passed. They’ve said this is in line with the terms of the credit agreement with Mr R, as is the rate of interest he’s charged.

But Vanquis accept that the way this was written on Mr R’s monthly statements made it look like he could use the credit before he was allowed to. They paid him £25 to apologise.

Mr R wasn’t happy with that response, so he brought the matter to us. Our investigator explained how the standard system for handling cheques works. This, he said, was in line with what Vanquis were doing, and what they’d said would be done in their terms and conditions. So he didn’t uphold that part of the complaint. He also felt Vanquis were acting reasonably to charge interest at the rate agreed with Mr R when the credit agreement began.

Like Vanquis though, our investigator found the statements had been misleading about how much credit could be used. He explained other options Mr R had for getting an up-to-date figure for the available amount, and said a total of £100 compensation better matched the trouble and upset caused.

Vanquis paid the extra £75 to carry out this remedy, but Mr R then said he didn’t agree with the view. He repeated his complaints, and asked for an ombudsman to look at the matter again. So it’s come to me for a formal 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 can see Mr R feels strongly about the issues he’s raised. So I feel he’s going to be disappointed that my decision is that the business have now done enough to put things right. I’ll explain why I’ve come to that conclusion.

I’ll deal with the point Mr R’s made about his interest rate first. Mr R’s commented that the interest rate on his credit with Vanquis is much higher than the current Bank of England base rate. That’s not unusual though. It’s a business decision for Vanquis, and indeed any lender, to decide how much interest they’ll charge on the money they lend. They simply need to make customers aware of what they’ll be charged to borrow the money. Customers can then make an informed choice whether to accept the rate offered, or find other ways to fund whatever they want the money for.

I can see Mr R is aware what his rate is, so I find Vanquis have done enough to allow him to

make that informed choice here. It's up to Mr R whether he continues to borrow money from Vanquis at that rate, if he thinks he can find a better rate elsewhere.

It doesn't seem to be in dispute that there's a delay between Mr R paying towards the balance on his credit card, and his then being able to use the available credit. Looking at the terms and conditions for the credit agreement between Mr R and Vanquis, this seems to fit with term 9.4. I'll quote the key bit, for ease of reference:

"...we [Vanquis] reserve the right to withhold authorisation for a transaction on your Account until your repayment has cleared through the banking system... Please ensure that you allow enough time for your payment to clear through the banking system."

Our investigator explained how the banking system for cheques can add eight days to the time it takes them to be fully cleared. I'm satisfied that the delays Mr R's unhappy with come from the time it takes for those sorts of processes to run, rather than any mistakes by Vanquis.

I appreciate Mr R's comment that other credit providers handle payments quicker than Vanquis. But that doesn't mean Vanquis have to handle things in the same way. Their terms and conditions explained what they would do, and it looks like they've kept to that.

It's a commercial decision for Vanquis to operate that way, just as it's a personal decision for Mr R whether to continue to use their service, if he thinks other providers would do better. But there's no mistake being made, so I'm not going to tell Vanquis to do things differently.

With that said, it seems to be agreed that Vanquis' statements are a little misleading about how much credit Mr R can use shortly after he's made a payment. The money is credited as soon as it's received, so Mr R doesn't pay interest on what he's paid off after that point. But the credit can't be used until the period where the money could be taken back has passed.

I agree the statement isn't particularly clear on this detail. And I can see that's led to Mr R trying to use the credit when authorisation was going to be withheld. So the question for me is how to put that right.

Putting things right

As our investigator noted, the process being used has now been explained in detail to Mr R. So I'm happy that going forward, he should know that the *"available to spend"* part of his statement may be different to what he will be immediately authorised to use. I'm satisfied that the other options available to Mr R for real-time figures do enough to inform him, should he wish to check beforehand, how much he'll be able to spend.

The only other factor here is the trouble and upset the misleading information in the statement has caused for Mr R. He's shown us online transactions that were declined, which our investigator felt would have caused some embarrassment and upset for Mr R. And I understand Mr R had similar experiences in a supermarket, where his card was declined.

I feel this does go a little beyond the £25 compensation Vanquis initially offered. But the impact is still limited, in the sense Mr R hasn't been put to any additional financial hardship here. The card was rightly declined, it's just that shouldn't have been a surprise for Mr R.

Looking at the extra £75 Vanquis have now paid, my decision is the impact on Mr R has now been suitably acknowledged. I appreciate Mr R thinks the service he's received is much worse than I've found. But for the reasons above, the actual delay authorising his use of the

credit, and the interest rate he's been charged, are the result of commercial decisions that Vanquis are entitled to make when lending him money.

My final decision

I partly uphold Mr R's complaint about Vanquis Bank Limited. A total payment of £100 in compensation is suitable to put this right.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 12 January 2021.

Paul Mellor
Ombudsman