

## **The complaint**

Ms P complains that the lending made to her by Vanquis Bank Limited was always unaffordable for her. And she said that when she got into difficulties with her payments, Vanquis didn't help.

## **What happened**

Ms P said she only earned about £800 a month when she took out this card in 2017, so she thought that the lending Vanquis agreed was never affordable for her. She said she'd only made the minimum payment for about three years. Then the card ended up over its limit.

Ms P said that she asked Vanquis to help, and sent it a lot of personal information, but it refused to set up a payment plan for her by text message. Vanquis said it had to talk to her.

Ms P said that caused considerable delay, and meant that she ended up paying more in interest. She said that Vanquis did eventually set up the payment plan, and did this via text.

Vanquis didn't think it had done anything wrong. It set out what it could see when Ms P took out her card, and details of what showed on her credit file each time it had increased her credit limit. It said that there were no signs of financial difficulty until August 2020, when a payment was missed. And it sent us the text conversation it had with Ms P, when she first asked it to set up a payment plan for her.

Our investigator didn't think this complaint should be upheld. She said she was satisfied that the checks Vanquis did when Ms P applied for the card and before each credit limit increase were reasonable. Based on the information the business reviewed, our investigator thought its decision to lend to Ms P was responsible.

Our investigator said that Ms P had asked Vanquis to set up a payment plan for her in mid-November 2020. She asked to make a monthly repayment of £50. Vanquis replied asking her to call customer services to set up the repayment plan. Our investigator didn't think Vanquis made a mistake, by asking her to call. She had set up a plan in January 2021.

Ms P didn't agree. She wrote to our service a number of times, and sent further evidence.

Ms P wanted us to consider Vanquis told her in November 2020 it couldn't set up a payment plan without speaking to her. But later, it did just that. If it had set up this plan when she asked, she would've paid much less interest. So she thought it should pay this money back.

Our investigator didn't change her mind. She said it wasn't unreasonable for Vanquis to want to talk to Ms P, to make sure the plan it was setting up was suitable for her. She still didn't think Vanquis had done anything wrong. Because no agreement was reached, this case was then passed to me for a final decision.

## **My provisional decision**

I issued a provisional decision on this complaint and explained why I did propose to uphold it in part. This is what I said then:

Ms P took out her card in 2017. Her first statement, from July 2017, shows that most of the spending was essential spending (travel costs, household bills, groceries) and almost a quarter of her spending was cash advances.

Her second statement from August 2017 shows that the overwhelming majority of her spending that month was cash advances.

Most of the spending on her third statement, September, was a single household bill. Ms P made little use of the card on the October statement. In November, her only spending was a large cash advance.

Her December 2017 statement shows that her credit limit had doubled.

The Lending Standards Board issues guidance for credit card companies on unsolicited credit limit increases. That sets out a number of risk indicators which a credit card company should have regard to. Two of those risk indicators were, in my view, present here.

Although Ms P was making her repayments, and she was paying over the minimum, the amount she was paying was only just over the minimum. And most worryingly, Ms P was making very frequent use of cash advances. Well over half of her spending at this point had been cash advances.

It is recognised that cash advances on a credit card are a very high cost form of lending, and can be indicative of financial difficulties. And in my experience, this level of cash advances on a card is very unusual.

At this point, Vanquis doubled Ms P's credit limit, on the basis of a credit check, and her usage of a card she had held for only about six months. I've explained that this card usage, was, in my view, strongly indicative of risk factors for financial difficulties. So I don't think that this unsolicited limit increase should have been made.

Ms P incurred a late payment charge on her December statement, and again most of her spending was cash advances. But then Ms P's usage of her card slowed, and stopped. She was continuing to make payments onto the account, and the balance started to reduce.

That means that we know this credit limit increase which Vanquis made in December 2017 wasn't, in the end, unaffordable for Ms P. But I have to look at the decision Vanquis made at the time, before this happened. And I've identified warning signs of financial difficulty which I think still mean that increase should not have been made.

Vanquis made a second increase to Ms P's credit limit in May 2018, to £3,000.

I think that it would have been reasonable for Vanquis to make the increase that it had actually made in December 2017, at this point, and change Ms P's credit limit to £2,000. I do not think that it would have been reasonable for Vanquis to increase Ms P's limit then, in one step, from £1,000 to £3,000. (I know that Vanquis didn't do either of these things, but this has implications for what I think Vanquis should do to put things right, which I'll explain below.)

Ms P then continued to pay off the card, without using it.

Vanquis made a third increase to Ms P's credit limit in October 2018, to £3,500.

Again, I think that it would have been reasonable for Vanquis to make the increase that it had actually made in May 2018, at this point, and change Ms P's credit limit to £3,000. I do not think that it would have been reasonable for Vanquis to increase Ms P's limit in one step from £2,000 to £3,500. (And again, I know that Vanquis didn't do either of these things, but this has implications for what I think Vanquis should do to put things right, which I'll explain below.)

Because I think that Vanquis made a mistake when it first increased Ms P's credit limit, from £1,000 to £2,000, I think it should refund any interest that it charged Ms P for a balance above £1,000 between then, and the next credit limit increase in May 2018.

Because I think Vanquis could reasonably have made a smaller increase in May 2018, I think Vanquis would have had to refund any interest that it charged Ms P for a balance above £2,000 between then, and the next credit limit increase in October 2018. But I can see that Ms P's balance stayed below £2,000 during this time.

Finally, because I again think that Vanquis could reasonably have made a smaller increase in October 2018, I think Vanquis should then refund any interest that it charged Ms P for a balance above £3,000 after October 2018.

Vanquis should use this refund to reduce Ms P's debt to it. I don't expect there will be any money left over after that, but if there is, Vanquis should pay this to Ms P.

Ms P also complained that Vanquis wouldn't put a payment plan on her account, without speaking to her, in November 2020. But she said that it then did just that, in January 2021.

I've considered the chains of text messages that both Ms P and Vanquis have shown us. And it looks to me as if in November 2020, Vanquis said to Ms P that it wanted to talk to her, rather than simply put a plan in place. I do think that's a reasonable thing for Vanquis to say. It would want to be sure that Ms P could make any payments that it agreed to take from her, and it's usual for a business to go through someone's income and expenditure to check this, in much more detail than the information I can see Ms P had given to Vanquis already.

I can see Ms P said it would be difficult for her to call, and Vanquis replied, setting out the times it was open, and when she could call. I've looked carefully at the text messages Ms P sent to us, and I can't see Ms P replied to this. So, whilst I understand Ms P didn't want to call, I don't think that she'd told Vanquis this at the time. And she hasn't explained to our service why it wasn't possible for her to call.

Ms P then complained that a payment plan wasn't set up, and at this point Vanquis put a plan in place for her, communicating by text message. Ms P says that this shows Vanquis could always have done this.

But this isn't what I would expect Vanquis to do, in this sort of situation. I don't think it can be entirely sure, from the text conversations it has had with Ms P, that the current arrangement is the best option for her.

I make no criticism of Vanquis here, for putting a plan in place for Ms P in January by text. I think it's done its best to help Ms P, and to work with what she is prepared to

do. But I would normally expect it to explore her situation in more detail, before putting an arrangement in place. And that's why I don't think that Vanquis made a mistake by not simply putting in place the plan Ms P said she wanted, in November, but asking her to call instead.

I don't think this part of Ms P's complaint should be upheld.

Ms P told she's faced difficulties with her payments since this plan started. Our service isn't allowed to look at complaints before the business has had a chance to respond to them, so our investigator asked Ms P to raise this with Vanquis first.

I invited the parties to make any final points, if they wanted, before issuing my final decision. Both parties replied.

### **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.

Ms P replied to say she was happy with the outcome. Vanquis also said it was happy to accept this decision, and had nothing to add. Ms P then asked what would happen about interest that Vanquis had charged since my provisional decision. She repeated that she was still having difficulties with her payments, and added interest was impacting her credit file.

The refunds of interest I'm requiring Vanquis to make will also cover the period between my provisional and final decisions. I do understand that Ms P is still finding her interactions with Vanquis frustrating, but I've explained that we can't add these issues into her current complaint, because Vanquis hasn't had a chance to respond to those yet. Ms P would have to raise her concerns with Vanquis first.

I haven't changed my mind. I'll now make the award I originally proposed.

### **My final decision**

My final decision is that Vanquis Bank Limited must refund onto Ms P's card any interest that it charged Ms P –

- for a balance above £1,000 between the credit limit increase showing on her December 2017 statement, and the next credit limit increase in May 2018.
- for a balance above £2,000 between the credit limit increase showing on her May 2018 statement, and the next credit limit increase in October 2018.
- for a balance above £3,000 after the credit limit increase showing on her October 2018 statement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms P to accept or reject my decision before 9 October 2021.

Esther Absalom-Gough

**Ombudsman**