

The complaint

Mr J is unhappy that Vanquis Bank Limited increased the credit limit on his account, which he feels was unaffordable for him at that time.

What happened

Mr J raised a complaint with Vanquis because he felt that Vanquis had provided credit to him irresponsibly. Mr J felt that Vanquis should never have accepted his application for credit in the first instance or increased the credit limit on his account at the times that they did because in all instances the credit that Vanquis provided him with was unaffordable for him at those times.

Vanquis noted that the initial application for credit and some credit limit increases had taken place more than six years prior to Mr J making his complaint, and because of this Vanquis didn't feel that those events were eligible for review. However, Vanquis did look at the most recent credit limit that took place on the account – from £1,500 to £2,250 in August 2015 – but felt that there had been nothing resulting from the checks that they'd undertaken into Mr J's financial position at that time that reasonably suggested to them that Mr J might not be able to afford the higher credit amount being offered. So, they didn't uphold Mr J's complaint.

Mr J wasn't satisfied with Vanquis' response, so he referred his complaint to this service. One of our investigators looked at this complaint. They felt that the information that Vanquis should have reviewed before increasing the credit limit on Mr J's account should have given Vanquis cause to consider that the credit increase wasn't affordable for Mr J at that time.

Because of this, they recommended that this complaint be upheld in Mr J's favour and that Vanquis should reimburse to Mr J all interest and charges incurred on the account relating to any balance above £1,500 from the point of the credit limit increase in August 2015 onwards. Our investigator also recommended that Vanquis should remove all adverse reporting relating to this account from the point of the credit limit increase.

Vanquis accepted the recommendations put forwards by our investigator and made a payment of reimbursement to Mr J. However, Mr J felt that he should receive a reimbursement of all interest and charges incurred on the account from August 2015 onwards on the full balance of the account, and not just a reimbursement on the interest and charges incurred on the balance above £1,500. Because of this, the matter was escalated to an ombudsman for a final review.

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 appreciate how Mr J might feel that Vanquis, having accepted that the credit limit increase that took place in August 2015 shouldn't have been provided to him, should reimburse to his account all interest and charges incurred on the account beyond that date, and not just interest and charges accrued on the balance of the account above £1,500.

However, having reviewed what's happened here, I'm satisfied that the recommendation put forward by our investigator – that Vanquis should reimburse all interest and charges from the point of the credit limit increase in August 2015 on the balance of the account above £1,500 only – is fair, and I can confirm that it's in line with what this service would expect here.

The reason for this is because the provision of credit by Vanquis up until the credit limit increase in August 2015 is outside the remit of this service to consider for the reasons already explained by our investigator and accepted by Mr J. Specifically, because the events in question – the initial provision of credit and the earlier credit limit increases – took place more than six years before Mr J raised his complaint with Vanquis and as such weren't events that Vanquis were obliged to review.

This means that the position of this service is that the provision of credit up until the credit limit increase in August 2015 isn't under consideration. This effectively means that it's accepted that the credit limit before the August 2015 increase – which was £1,500 – isn't considered as having been provided by Vanquis irresponsibly.

Because this service can't say that the credit limit of £1,500 was provided irresponsibly, it follows that this service can't instruct Vanquis to reimburse interest and charges on the balance of the account below £1,500, even after the credit limit increase.

One reason for this is because this service aims to restore a customer to the position that they would be in had the event in question never taken place. And in this instance, the event in question was an increase in the credit limit from £1,500 to £2,250. Had this event not taken place in August 2015, Mr J's credit account would still have had a credit limit of £1,500 and would still have legitimately incurred interest and charges on the account past that date up to that balance.

It's for this reason that our investigator recommended that Vanquis reimburse to Mr J's account all interest and charges incurred on the account after the credit limit increase on any account balance over £1,500 only. And I'm satisfied that it was fair, reasonable, and correct of our investigator to have made this recommendation, given the circumstances.

All of which means that I'm satisfied that the actions to which Vanquis have already agreed here - including the reimbursement to Mr J's account of all interest, fees, and charges relating to the balance of the account above £1,500 incurred after the credit limit increase in August 2015, as well as the removal of all adverse credit reporting regarding this account following that date – does represent a fair and reasonable resolution to this complaint.

I realise that this won't be the outcome that Mr J wants here, but it follows that I won't be upholding this complaint or instructing Vanquis to take any further action, beyond that to which they've already agreed. I trust that Mr J will understand, given all that I've explained, why I've made the final decision that I have.

My final decision

My final decision is that I do not uphold this complaint on the basis explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 3 November 2021.

Paul Cooper
Ombudsman

