

The complaint

Miss J complains Vanquis Bank Limited (Vanquis) irresponsibly provided her with a credit card facility.

What happened

Miss J says she took out a credit card account with Vanquis in June 2017 with a credit limit of £250, although her credit history was poor, and she had missed payments on other debts previously. Miss J says Vanquis subsequently increased her credit card limit on two occasions in January 2018 and December 2018 to a total facility of £2,000. Miss J says she was experiencing financial difficulties which should have been clear to Vanquis, especially given she was only making minimum payments on her credit card account with them and her credit score was low. Miss J wants Vanquis to refund all interest and charges and clear her credit file.

Vanquis says they carried out reasonable checks before providing the credit card account to Miss J and when increasing the limits available to her subsequently. Vanquis say although there had been some history of missed payments against Miss J, these were over 12 months old and there wasn't anything to suggest she was experiencing financial difficulties, when she completed the assessment to increase her borrowing.

Miss J wasn't happy with Vanquis's response and referred the matter to this service.

The investigator looked at all the available information but didn't uphold the complaint. The investigator felt Vanquis had carried out reasonable checks before providing the initial credit card account facility and any subsequent increases to the account limits. The investigator says there was no evidence to suggest Miss J was experiencing financial difficulties or she had ever made Vanquis aware of that.

Miss J didn't agree with the investigator's view and asked for the matter to be referred to an ombudsman for a final 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.

Having done so, I have come to the same outcome as the investigator and I will explain how I have come to my decision.

I am sorry to hear Miss J is experiencing financial difficulties and it must be a stressful situation for her. When looking at this complaint I will consider if Vanquis acted irresponsibly when providing the credit card account to Miss J and subsequently approved the increases in the credit limit available to her. When making a full and impartial decision here, I need to consider a number of factors, firstly did Vanquis carry out proportionate checks, and after carrying those checks, was it fair for them to provide credit facilities to Miss J, based on what they knew about her through those checks.

Miss J says when she initially applied for the credit card account in June 2017, she had a history of missed payments on other debts which should have resulted in her being declined for the credit card account. In addition, Miss J makes the point that if Vanquis had properly checked her credit file they would have seen she had issues in the past with meeting her commitments. Miss J says her credit score was poor and her bank statements would have shown she was having financial difficulties.

While Miss J may not agree, at the time Vanquis agreed the credit card limit of £250 they did review her application and carried out credit reference searches. From the information I have seen, Miss J declared her income at £20,000 per annum and while the credit searches did show an issue with another lender, this was 12 months prior to her application and there were no other issues recorded against her credit file, or any problems made known to them by Miss J.

It's not unusual for credit card providers like Vanquis, to issue credit card accounts with a modest credit limit to begin with, and allow applicants to build up their credit ratings, these are generally known as '*low and grow*' facilities and I am satisfied this is what was provided to Miss J here.

Miss J also raises the point that Vanquis subsequently increased her credit card limit in January 2018 and December 2018 to £1,000 and £2,000 respectively. Miss J feels Vanquis shouldn't have allowed that, because she'd only been paying back the minimum on her credit card account with them. Miss J says if Vanquis had checked her bank account statements, they would have seen she had been experiencing financial difficulties.

The first thing to say here, is simply because a consumer only pays the minimum amount on their credit card each month it doesn't, on its own, signify there are any financial difficulties. What I can say is the credit card account was maintained within the £250 limit approved, with no missed payments, before it was increased to £1,000, some 6 months later. This increase was approved after credit searches showed no further issues or adverse credit information against Miss J, for over 18 months. It's not unusual to see businesses like Vanquis allow a period of time to pass before setting a higher credit limit and I am satisfied this is what happened in January 2018. So here, I can't say Vanquis should have been aware at that point, Miss J was experiencing financial difficulties based on the information they had seen.

When the second increase in Miss J's credit limit was approved in December 2018 some 18 months had passed since Miss J first applied for a credit card, and importantly around 30 months since any missed payments or any other issues had been recorded against her credit file. It's also worth mentioning on the second credit card limit increase to £2,000, this was subject to Miss J contacting Vanquis to reconfirm her financial position. As I have previously stated there are no prescribed checks that businesses like Vanquis are expected to make. While Miss J may not agree, I'm not persuaded an inspection of her bank account statements should have been conditional of the increased credit limit, given the satisfactory operation of her credit card account with Vanquis and the fact Miss J had discussed her financial situation with them before the new credit card limit was approved.

There is no evidence to suggest, Miss J notified Vanquis that she was experiencing any financial issues at any time before or after the credit card account was provided to her, or later when she was asked to discuss her financial position in December 2018, when the credit card limit was increased to £2,000. So, I can't expect Vanquis to have known Miss J was experiencing any financial difficulties at that time.

It follows, while Miss J will be disappointed with my decision I won't be asking anymore of Vanquis here.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss J to accept or reject my decision before 12 December 2021.

Barry White
Ombudsman