

The complaint

Miss C is unhappy that Vanquis Bank Limited increased credit limit on her credit card account, which she feels was unaffordable for her at that time. Miss C also feels that the credit agreement she reached with Vanquis was unfair and that as a result she's paid Vanquis significantly more than she's ever borrowed. Miss C is also unhappy that Vanquis sold her credit card debt to a third-party debt purchasing company.

What happened

Miss C had a credit account with Vanquis which had an initial credit limit of £250. In December 2014, Vanquis increased the credit limit on Miss C's account to £1,000. A further credit limit increase was also offered to Miss C in May 2015, which increased the credit limit on Miss C's account to £2,000. Unfortunately, Miss C fell into financial difficulty in 2018 and this led to Miss C falling into arrears on her Vanquis account, with the account being defaulted by Vanquis for unpaid arrears in February 2020.

Miss C wasn't happy with the Vanquis account, including that she felt that she hadn't been able to afford the credit limit increases that Vanquis had offered her or with the unreasonably large amount that she'd paid towards her Vanquis account during the time that the account had been active. Miss C also wasn't happy that Vanquis sold her credit account debt to a third-party debt purchasing company. So, she raised a complaint.

Vanquis looked at Miss C's complaint. But they didn't feel that there'd been anything in the checks they'd undertaken into Miss C's financial position at the time of the credit limit increases that should have given them cause to suspect Miss C might not be able to afford the credit limit increases being offered to her at those times. Additionally, Vanquis were satisfied that they'd administered the credit account in line with the terms of the account, including the interest and charges that had been applied, and that the sale of the account to the debt purchasing company was also permitted by the account terms. So, they didn't uphold Miss C's complaint.

Miss C wasn't satisfied with Vanquis' response, so she referred her complaint to this service. One of our investigators looked at this complaint. But they also felt that there hadn't been any reason for Vanquis to have felt that Miss C wouldn't be able to afford the credit limit increases on the account, and they also felt that the interest and charges applied to the account, as well as the sale of the account debt to the debt purchasing company, hadn't been undertaken by Vanquis unfairly.

Miss C remained dissatisfied, so the matter was escalated 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.

It's for a business to decide whether it will offer credit to a customer, and if so, how much and on what terms. What this service would expect would be, that before approving a customer for a new line of credit, or before increasing the amount of credit available to a customer on an existing line of credit, the business would undertake reasonable and proportionate borrower focussed checks to ensure that any credit being offered to a customer is affordable for that customer at that time.

In this instance, before offering the credit limit increases to Miss C, Vanquis reviewed how Miss C had managed her account in the months leading up to the offer, and they also obtained information from a credit reference agency to gain a better understanding of Miss C's wider financial position at those times.

At the time of the first credit limit increase offer in December 2014, the credit account statements demonstrate that Miss C had largely maintained the balance of her account within the agreed credit limit up to that time, only exceeding the credit limit on one occasion, and I don't feel that that single occasion ought to have given Vanquis cause to consider that Miss C might have been struggling financially at that time such that she an offer to increase the credit limit on her account from £250 to £1,000 shouldn't have been made.

I'm also satisfied that the information that Vanquis obtained from the credit reference agency, which included that Miss C didn't have an excessive amount of existing external credit and didn't have any active payday loans or was in arrears on any of her existing credit accounts, also shouldn't have given Vanquis any reasonable cause to suspect that Miss C might not be able to afford the credit limit increase. And while there was a record of Miss C defaulting on a credit account previously, that default had occurred over five years prior, and so I don't feel should have reasonably prevented Vanquis offering the additional credit to Miss C that they did.

I also find it difficult not to reach a similar conclusion with regard the second credit limit increase, from £1,000 to £2,000, which was offered to Miss C by Vanquis in May 2015. And this is because again, the account statements in the months leading up to that credit limit increase don't show any record of Miss C exceeding the credit limit on her account, and the updated credit file information that Vanquis obtained also didn't highlight anything which I feel should have given them cause to consider that Miss C wouldn't be able to afford that second credit limit increase.

It's also notable that Miss C has provided her current account statements to this service and so I've assessed these to see if, had Vanquis reviewed these statements before offering the further credit to Miss C – which in consideration of the above, I'm satisfied there was no reasonable requirement for Vanquis to do – whether there was any information present on the statements which might suggest that Miss C was in financial difficulty at those times.

But having done so, I haven't seen anything which I feel would have given Vanquis any fair cause to reach such a conclusion, and I say this because it's evident that Miss C did have surplus funds available to her after her essential monthly spending was complete and also that Miss C wasn't paying a notably high amount to other credit providers at that time.

All of which means that I don't feel that I can fairly or reasonably conclude that Vanquis, from the information available to them at the time of the credit limit increase offers in December 2014 and May 2015, should have had any reasonable cause to suspect that Miss C might not be able to afford those credit limit increases, such that they shouldn't have been offered to her.

Miss C is also unhappy with the terms of the credit account and feels that she's paid enough to Vanquis over the time that she's held that account such that it would be fair now for Vanquis to write off the balance that remains currently outstanding.

But I haven't seen anything to suggest that Vanquis have applied interest or charges to the balance of this account outside the agreed terms of the account. And while Miss C has stated that she didn't understand the terms of the account, including that the account would accrue interest on a monthly basis on the balance outstanding, I feel that it was incumbent on Miss C, as the account holder, to have understood the terms of the account that she applied for, and as such I don't feel that the outstanding balance of the account can be considered as being unfair.

Finally, Miss C has stated that she's unhappy that Vanquis sold her account to a third-party debt repurchasing company. I can appreciate how Miss C might not want to have been contacted by a debt purchasing company in relation to the balance outstanding on this account, but again it's evident that the terms of the account permit such a sale of debt to occur, and I note that such a term is a common feature of credit accounts such as this.

All of which means that I find it difficult to conclude that Vanquis have acted unfairly or unreasonably towards Miss C, either in regard to the credit limit increases that they offered to her or in regard to how they administered the account. And it follows from this that my final decision will be that I won't be upholding this complaint or instructing Vanquis to take any further action at this time.

I realise that this won't be the outcome that Miss C was wanting here, but I hope that she'll 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.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 11 March 2022.

Paul Cooper
Ombudsman