

complaint

Mr C is unhappy about the credit limit increases made to his account with Vanquis Bank Limited (Vanquis). He would like the bank to refund him all of the interest charges applied since the first increase and all negative information resulting from the increased limits to be removed from his credit record.

background

Mr C opened an account with Vanquis in 2011. Vanquis said that when he applied to open his account he passed its credit scoring processes. The initial credit limit was £500. Once the account was open Mr C made the required monthly payments in full, and on time, and the bank wrote to Mr C on a number of occasions during 2011 and 2012 to offer increases to his credit limit. These letters advised Mr C to contact the bank within 30 days if he didn't want to accept the credit increase offered. As he didn't reject these offers the bank increased the credit limit by a total of £2,500 between September 2011 and July 2012. Mr C continued to spend money on the account and to meet the monthly payments.

Mr C says he was in financial difficulties by the time the first increase was offered to him and the bank was irresponsible in offering further credit. He said he had a number of payday loans at this stage and was using credit to pay bills. He argues that the actions of Vanquis have added to his financial difficulties. Mr C points to industry guidelines about responsible lending and says that Vanquis didn't follow these.

Vanquis say that it made the offer of the increase based on its review of Mr C's account, his regular payment record, and credit score checks. The bank says these were satisfactory and it didn't agree that it acted irresponsibly. Vanquis thought the increased credit limits were affordable for Mr C based on the information it had.

Our investigator looked in to the circumstances of the case and didn't think the bank had done anything wrong in increasing the credit limit and didn't recommend that the complaint should be upheld.

Mr C didn't agree with his conclusion and asked an ombudsman to make a final decision.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Lenders have different policies for assessing risk in relation to lending to its customers. From the evidence I've seen Vanquis followed their procedures for assessing Mr C's application to open an account. In the letter to Mr C in July 2017 Vanquis explains that it took account of his outstanding debt levels at the time he took out the application. It says that this amount was within the levels set as part of its lending policy. Vanquis also says that it looked at Mr C's employment status when making the original decision.

The process for making a lending decision is not normally a matter we can interfere with and it's up to the lender to decide on the level of risk it takes. So I don't think they did anything wrong in accepting Mr C's application to open his account in 2011. I have taken account of the fact that Mr C has said he was surprised that his application was successful in view of his financial situation. But I've not seen any evidence that he made Vanquis aware of his circumstances so I don't think the bank could've been expected to know this.

I've taken in to account the terms of Mr C's credit agreement and I can see that Vanquis may increase or decrease a customer's credit limit at any time. And it explains that the customer will receive a letter offering a 30 day timescale to decline the offer. Whilst I understand that Mr C might be dissatisfied with this process I can't say Vanquis have done anything wrong. And I think the terms were clear so I've no reason to believe that Mr C wouldn't have understood what he was taking on.

Mr C's commented that Vanquis should have spotted that he was using the increased credit limit(s) to pay short-term lenders. I have some sympathy with what he says here. He's commented at length about various industry guidelines, which he says Vanquis hasn't followed.

But my review of the monthly statements also shows the account was being used to purchase items and withdraw cash – all of which Mr C's entitled to do. And he continued – at least initially – to keep making the minimum payments required. So I don't think it's right to say Vanquis shouldn't have increased the credit limit on the account because of this.

Vanquis explain that Mr C made the minimum payments in full, and on time, every month until December 2012 when a payment was missed. Mr C's explained the difficult circumstances he was dealing with around this time. I'm sure things weren't easy for Mr C and he has my sympathy in this regard.

But the default charges applied to the account were in line with the bank's terms and conditions so I can't say that these were unfairly applied. I've also considered that Vanquis agreed a payment plan with Mr C in October 2013 and since then he has not been charged any default fees or interest on the account. I think it's acted fairly and responsibly in this respect. I appreciate that this was some time after the first default on the account but there's nothing to suggest from Vanquis' records that Mr C explained fully the situation to the bank any earlier. It'd agreed short-term payment arrangements to help Mr C. So I don't think Vanquis have acted unreasonably in its approach.

I think the charges made up to October 2013 have been applied fairly and in line with the bank's terms and conditions. So I won't be asking them to refund these.

Mr C has also asked Vanquis to remove any negative information passed onto credit reference agencies which are related to the credit increases on his account. But lenders should record accurate information about a customer's payment history and how they have managed their account. That seems to be the case here. So I can't say that Vanquis are acting unreasonably in doing this and I won't be asking them to remove any information from Mr C's credit record.

Whilst I appreciate Mr C's financial difficulties – and I understand that my decision is likely to disappoint him – I'm not upholding this complaint.

my final decision

For the reasons given above I'm not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 4 December 2017.

Alison Lyon
ombudsman