

Complaint

Mrs F complains (through her representative Mr C) that Vanquis Bank Limited (VBL) made several increases to the credit limit on her credit card without following the rules of responsible lending. This led to her suffering financial hardship.

Background

Mrs F opened a credit card with VBL in 2010. From opening through to January 2012 VBL increased the credit limit on the account four times. The fifth occasion was in June 2016 where it was increased by £500 to £3500. Mrs F maintained the required minimum payments on her card until 2018 when she began missing payments, which coincided with the very sad event of her husband's death.

Mr C, on Mrs F's behalf, complained to the bank that they had increased her credit limit and thus allowed spending, without conducting sufficient credit worthiness checks, which has resulted in Mrs F being unable to meet the payments. VBL sent their final response saying they had not investigated the increases which occurred up to and including January 2012, due to the FCA rules, as they occurred over 6 years ago. They only considered the increase in 2016. They determined they acted correctly with the credit increase being considered and offered in accordance with the rules. They did not uphold the complaint. Mr C did not accept this finding so complained to this organisation on Mrs F's behalf.

With regard to the scope of her investigation, as she explained in her view, the investigator decided that the credit increases from 2010 until 2012 were outside of the time limits whereby a consumer can complain to us. This means she was only able to investigate the circumstances around the increase in June 2016.

When investigating this type of complaint, the investigator would examine whether the lender has reasonably assessed a customer's ability to repay what they are borrowing. VBL have explained their procedures when increasing credit limits and the type of information they seek, using both their own records and that of credit reference agencies. They also provided details of how the increase is offered in writing, including the option for the consumer to refuse the increase. The investigator has compared these to what was required by the Financial Conduct Agency (FCA) and the UK Cards Association best practice and found, from the evidence supplied, these were followed correctly.

The investigator then considered whether VBL raising the credit limit in Mrs F's case had been a responsible step to take and whether it could have reasonably foreseen that it could lead to Mrs F being unable to meet the required payments. The investigator's view was that it would have been unlikely that VBL would have known or suspected that Mrs F was in financial difficulties in 2016 when the rise was given. The investigator also felt the account was being kept in good order with no missed payments until August 2018, and indeed as soon as they were informed of the tragic circumstances, they took the correct steps to protect her from further debt on the card.

The investigator's view was that VBL acted responsibly and fairly. Mr C disagreed so the matter has been passed to me for a 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. We as an ombudsman service are restricted in what we can investigate, and one area of restriction is time limits. The rules say we can't look at a complaint if it was made more than:

- Six years after the event complained of; or if later
- Three years from when the customer was aware, or ought reasonably to have been aware, of cause for complaint;

I have reviewed this decision in my role as an ombudsman. Having looked at the circumstances, I agree that the first four increases are out of our jurisdiction, so the investigator's decision to only consider the circumstances of the credit increase in 2016 and onwards is correct. I'll explain why.

- Six years: The first thing that needs to be considered is when the event complained about occurred, and when the complaint was first made to the bank or ourselves. This must be within 6 years. The complaint was first made to VBL in December 2018. This means that all the increases up to and including January 2012 were outside this six-year limit.
- Three years: If it is outside the six-year limit then the complaint can be made within three years of when Mrs F knew, or ought to have known she had cause for complaint. I believe, in this case, this would be when Mrs F was informed of the credit increases. For each of the increases, VBL have shown that they gave her written notice 30 days prior to each. For this reason, I have decided these are out of time.

I can still look into complaints made outside these time limits if I'm satisfied the failure to comply with them was due to exceptional circumstances. As I've said above, I am satisfied that Mrs F was aware of the increases to her credit limits at the time they were given, and Mrs F hasn't given any reason for the delay.

So now I move on to my decision about the circumstances of the one credit increase that is within our jurisdiction. I have based my decision on what is expected of lenders when assessing a customer's credit worthiness and whether this was fair in Mrs F's circumstances.

A lender must carry out proportionate checks to determine whether credit (and significant increases to credit limits) was, as far as the lender could tell, affordable and sustainable and would not adversely affect the customer. A proportionate check will depend on many things, such as what a lender knows about the customer, size of credit, term for repayment, and their lending history.

As previously stated, VBL have provided us evidence to show their internal process and what they consider when assessing if a customer can and should be offered an increase in their available credit. They have also shown how, when considering offering the credit increase in 2016, this process was applied to Mrs F's case; I can see they have not only looked at how Mrs F managed her account (she had not missed a payment in 4 years), but have taken into account information shown on her credit file, that she had no outstanding CCJs or debt defaults and her level of borrowing across other lenders was within their lending policy

I have noted that Mrs F only ever made the minimum payments required between 2012 and 2016. This can be an indication of financial difficulties; however, I have found no other significant indicators that should have alerted VBL to Mrs F being in financial difficulty or that it would have been difficult for her to manage.

Having examined VBL's process when considering and offering credit increases, I am of the opinion that it complies with the UK Cards Association best practice guidelines:

- the card issuer should give 30 days' notice of the increase.
- it should offer the customer the option to reject the increase in writing, online or by telephone.

and the Financial Conduct Authority's rules (CONC 5.2A) - The business must consider how the increase may adversely impact the customer's financial situation. It will do this, as VBL did, by taking into account things like:

- the information it already has about the customer at the time of the increase.
- the lending history of the customer and how they have previously managed their account.
- information obtained from a credit reference agency

I am aware of the distressing time Mrs F has been through with the death of her husband and can understand how this has added to the financial difficulties she is now facing. This is something that I cannot imagine, and I feel very sorry for her.

That said, when looking at the process that the company followed when they raised her credit limit in 2016, their considerations, and how they applied these to Mrs F's situation, I cannot conclude they acted irresponsibly, and the change to her circumstances was not something that they reasonably could have foreseen. I also can't see any reason why they should have acted differently during the period from when the increase was offered in 2016, to when they were made aware of the awful changes in Mrs F's circumstances.

My final decision

For the reasons I've given, my decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs F to accept or reject my decision before 13 December 2019.

Chris Riggs
Ombudsman