

complaint

Mrs S complains that Vanquis Bank Limited ("Vanquis") acted irresponsibly when they increased her credit card limit and this caused her financial difficulties.

background

Mrs S opened a credit card account with Vanquis in December 2008. The credit limit was £250, but that increased at various points so by May 2011 it was £3000. Mrs S hadn't asked for any increases. She complains those increases caused her financial hardship, as the amount she borrowed went up as her credit limit increased. She said the increases in the limit were unaffordable lending by Vanquis as her credit record could only be described as very poor. And also as, even when she only paid the minimum monthly payment, her limit was continually increased. Mrs S said she was using the account to regularly pay for food and household expenses. And she was in a cycle of clearing the account and then having to use it again every month to pay for living costs. Mrs S asked Vanquis to refund the interest and charges on the account and to remove markers from her credit file.

Vanquis says it's done nothing wrong. They said they did monthly risk assessments of all customers to identify those who they think are able to maintain payments if their limit was increased. That assessment used credit scoring to assess Mrs S's ability to pay. Vanquis said it tries to help people of modest means to get credit who might not get credit elsewhere, and so the negative information on her credit file wouldn't necessarily mean she would not qualify for the increase. And although there were times when Mrs S made late payments or exceeded the credit limit the account was brought up to date swiftly. Vanquis said they'd written to Mrs S to give her 30 days' notice of the increase, and told her that she could cancel the increase if she didn't want it. Instead she'd made full use of the increases. So they didn't agree to refund any interest or charges.

Our adjudicator did not uphold this complaint. She found the account's terms and conditions allowed Vanquis to increase the limit of its own accord, and that if it does so then it will notify her in writing and give her the opportunity to decline. It had done that, so Mrs S could have declined the increase but had chosen not to. Instead she had spent the available credit, so she was liable for the interest on her purchases.

Mrs S didn't agree. She told us she was in a very difficult situation for money throughout this period. But she felt it was still irresponsible of Vanquis to increase her credit limit by so much, without making more detailed checks. She asked for an ombudsman's 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. Having done so, I've come to the view this isn't a complaint that I can reasonably uphold.

The UK Cards Association published guidelines, in 2011, on "*Credit Card Limit Increase*". They say that a credit card provider may increase its customers' credit limits without being asked to, subject to certain conditions. They must do checks to make sure that the customer will be able to repay what they borrow. This must include her credit file, and least one other source from a list of three. Two of the items on that list are credit scoring and how the customer has handled her finances in the past. Vanquis says it did these checks, and decided to offer the increases.

The guidelines also say that Vanquis has to take into account any times when the customer has exceeded her credit limits in the past, as this may be an indication of financial difficulties. However, the guidelines also say *"it is important to note that, in isolation, these may not in fact be indicators that a customer is showing signs of financial difficulties."*

Mrs S thinks Vanquis should've done more checks *and* noticed that she only made the minimum repayments before deciding if she could afford an increase. I can see her credit report shows some short term, payday, loans. Although I don't underestimate the difficulties Mrs S may've had when taking the payday loans, these are recorded as settled. When a customer takes out lending and prior lending illustrates their ability to repay this, it's likely to have a positive impact on their credit file. And the statements I've seen show there were a number of periods when Mrs S made significantly more than the minimum payments. Even from May 2011, when she says she *only* made minimum payments, I can see most months the payments were *over* the minimum. I don't think that would've indicated to Vanquis that she was in financial difficulty. So, overall, it doesn't seem unreasonable to me that Vanquis decided that she was eligible for increases.

There's no suggestion Mrs S was unaware of the increases, each time the limit increased she used the credit available to her. I'm satisfied from the records Vanquis sent me they wrote to Mrs S when the limit first increased. They informed her the limit would be increased in 30 days and, that if she didn't want the increase, she could decline it. And the letter contained a number to call if she wanted to do that. And subsequent increases are shown on statements. So, although Mrs S didn't ask for the increases, I'm satisfied Vanquis did what it was supposed to do to tell her how to turn them down.

Although Mrs S admits that at the time she wasn't making good money decisions, she nevertheless chose to spend up to the credit limit. She's had the benefit of the money she spent. I'm not satisfied that Vanquis acted irresponsibly when it increased the credit limit. Nor do I find that there's any reason why it shouldn't have applied interest and charges to the account, in line with the terms and conditions.

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 Mrs S to accept or reject my decision before 29 August 2017.

Annabel O'Sullivan
ombudsman