

## **complaint**

Mrs C complains that Vanquis Bank Limited raised her credit card account limit when she couldn't pay the money back.

## **background**

Mrs C said that she opened a credit card account with Vanquis. She said that she started out with a credit limit of £250, but over time Vanquis raised the limit to £3,000. She said she was in financial difficulties at the time, and she's still struggling to pay the money back.

Vanquis said that it had taken Mrs C's circumstances into account when it looked at her credit limit. It said that it had credit scored her application, and it thought that she could afford the lending when she applied. It knew that Mrs C had a county court judgment on her credit file, but Vanquis says it is a "second-chance" lender and historic negative behaviour wouldn't necessarily lead to an application being turned down.

Vanquis said that by November 2012, Mrs C had made all her minimum payments on time and within the time limit. And her other outstanding borrowing had gone down. So Vanquis offered to increase her limit to £500.

Vanquis then said that by April 2013, Mrs C had made all her minimum payments on time and within the time limit. Her other outstanding borrowing had increased, but only by a very small amount. So Vanquis offered to increase her limit to £1,500.

Vanquis said that by November 2013, Mrs C had made all her minimum payments on time and within the time limit, except for September 2013, which was paid very soon after the due date. Her other outstanding borrowing had gone up to £1,900 but Vanquis said that when it considered the other information that it held about Mrs C, it still thought it could lend her a bit more money. So Vanquis offered to increase her limit to £2,250.

Vanquis said that by April 2014, Mrs C had made all her minimum payments on time and within the time limit. Her other outstanding borrowing had gone up again to £2,690 but Vanquis said that when it considered the other information that it held about Mrs C, it again still thought it could lend her a bit more money. So Vanquis offered to increase her limit to £3,000.

Vanquis said that it didn't know until November 2014 that Mrs C was in financial difficulties. It didn't think it had lent Mrs C money irresponsibly.

Our investigator didn't uphold this complaint. He thought it was reasonable for Vanquis to agree to the initial application, and for it to offer to make these increases. He said that Mrs C had only missed one minimum payment between her account opening and the last increase. And he said that Mrs C had no additional adverse data added to her credit file during this period. He said that though she did default on other debts later, that was over a year after the last limit increase.

Our investigator said that Vanquis had agreed a repayment plan with Mrs C in November 2015 for £50 a month. And it hasn't applied interest on Mrs C's account since then. He thought it had acted reasonably.

Mrs C didn't agree. She said she was in huge debt with four payday loan companies over this time, and if Vanquis had done a proper credit check, it would've seen the amount of borrowing that she

was doing at the time. Because Mrs C didn't agree with our investigator, the case was passed to me for a final decision.

### **my provisional decision**

I issued a provisional decision on this complaint and explained why I proposed to uphold it. This is what I said then:

- When Vanquis sent us information on Mrs C's card account, it also sent us what it said were the credit checks that were run before each of the limit increases was offered to Mrs C. Most of those didn't record whether Mrs C had any short term loans, but by the time of the last credit check, Vanquis had made changes to the checks it was making, and those checks reported whether Mrs C had any short term loans recently. The original copy of the credit checks that Vanquis sent through to us said that Mrs C hadn't had any short term loans in the three months preceding April 2014.
- We have a copy of Mrs C's credit history, and what Vanquis said then isn't consistent with what I could see on Mrs C's credit history. So we asked Vanquis about that.
- Vanquis said that the information that it had sent us had been supplied in error. It said that Mrs C had three short-term loans at the time that it last assessed her creditworthiness. But it still thought that the increased lending it had offered at that time was affordable for her.
- I don't think there's anything to make me think that when Mrs C first took out this card, or when she was offered an increase to her credit limit to £500 in November 2011, that this lending wouldn't be affordable for her. Her other borrowing was then very low, and the lending from Vanquis was relatively modest. It is possible that alarm bells should've sounded around the time that Mrs C's limit was raised to £1,500 in April 2013, as Mrs C had been over her account limit on her February 2013 statement. But she was only over by a very small amount, and she acted promptly to bring the account back within its limits. So I don't think that this was necessarily irresponsible lending.
- But by the time that Mrs C was next offered a raise in her credit limit, I don't think that this remains true. The next raise didn't appear on her account until her January 2014 statement, but the credit check was done and the raise was offered in November 2013. So I need to consider the history of her account at that time.
- When Vanquis wrote to Mrs C about her complaint, it said that at this time she had made all her minimum payments on time and within the time limit, except for September 2013, which was paid very soon after the due date.
- Mrs C had been over her account limit and missed her minimum payment on her September 2013 statement, because her direct debit had failed. That statement was dated 15 September 2013. It says that a payment of £130.88 must be made immediately, and a minimum payment of £102.35 should be made by 10 October 2013. That makes a total of £233.23 that she then owed.
- The following statement, dated 15 October 2013, says that a debit card payment was made on 17 September, for £69.00, and a direct debit was taken on 10 October for £164.88. That adds up to a little more than Mrs C owed. But the same statement shows that Mrs C's debit card payment was reversed on 7 October. So, from what I can see, Mrs C doesn't appear to have

paid the minimum amount required at that time. There's no note of outstanding payment on her December statement. It's not clear whether Vanquis has overlooked this.

- The credit check from November 2013 also shows that Mrs C's debts elsewhere had leapt up from £300 to £1,900. Mrs C had declared a relatively modest personal income when she took out this card, and there's nothing in what I have seen that suggests to me that there had been a significant increase in her income by the time this lending was approved.
- Vanquis has reassured us that Mrs C passed its credit check. However, given the apparent mistakes which have been uncovered in the 2014 credit check, and its different understanding of the status of Mrs C's account in September 2013 noted above, it is difficult to give this reassurance significant weight.
- I think it is clear from Mrs C's credit report that she had started to rely heavily on short-term loans by November 2013. Although I appreciate that the credit report that Vanquis ran at that time didn't specifically report on levels of short-term lending, on balance, I think that, given that Mrs C had clear and recent difficulties meeting her payments, and her indebtedness elsewhere had increased over six fold since her last credit check, that it's more likely that Mrs C should not have been offered an increase to her credit limit in November 2013. I think it's likely that Vanquis made a mistake when it did that.
- I also think that as Mrs C's other debts continued to climb after this, and her next credit check showed that she had taken three recent short term loans, that the subsequent increase to a credit limit of £3,000 which she was offered in April 2014 should not have been made either. I note that this increase first shows on her statement of June 2014, which also shows that she'd missed that month's minimum payment.
- My provisional decision is that Vanquis should refund all the interest charged to Mrs C on any lending over £1,500, since the increase to £2,250 was implemented in December 2013. It should also refund any fees and charges applied to her account since this date.
- Vanquis can use this money to reduce Mrs C's debt in the first instance. I don't think there is likely to be any money left over when it's done that. But if there is, then it should pay that money to Mrs C.
- I've also considered whether Vanquis should've realised earlier that Mrs C was in financial difficulties. When it first wrote to us it said that after her last credit limit increase, all minimum payments were received in full and on time until November 2014, which is when it first realised that she was in financial difficulties. As I've set out above, that's not the case. But I do think that when Vanquis realised that Mrs C was in financial difficulties, it made significant and repeated efforts to contact her. It agreed a number of repayment plans to try to assist her. So I think that Vanquis responded appropriately to Mrs C's financial difficulties.

I invited the parties to make any final points, if they wanted, before issuing my final decision. Mrs C said that she accepted the decision. Vanquis sent a detailed reply, to object.

### **my findings**

I've reconsidered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. I haven't changed my mind.

Vanquis told us that the amount of money that it would need to refund Mrs C, if my decision didn't change, wouldn't mean she would get any money back. It would reduce her debt to Vanquis by almost half. (I'll still set out that any extra money has to be paid back to Mrs C, just in case she has reduced her debt recently.)

But Vanquis didn't think it should have to pay this refund. It didn't think it had done anything wrong.

Vanquis acknowledged that it had included a mistake in the credit checks that it first showed us. But it said that it didn't agree with what I'd said about Mrs C's payments for September and October 2013.

I'd said in my provisional decision that Mrs C had missed a payment in September 2013, and then hadn't made up for that in the following month.

Vanquis said that it was true that Mrs C's payment of £62.13 wasn't received by the due date of 9 September 2013, because the direct debit wasn't paid. The statement balance exceeded the credit limit by £68.75 as a direct result of this. Vanquis said that fees totalling £36.00 were applied, due to the reversing of the direct debit, the late payment and subsequently, the "over-limit" excess.

Vanquis said that Mrs C's September statement showed the current minimum payment to be £102.35 and the "missed" payment was £62.13. So the arrears totalled £164.48 and this was successfully collected on 10 October 2013. Vanquis said that this resulted in the statement balance remaining within the credit limit, and no further payment was required to keep the account up to date. It didn't think it had made a mistake.

I've looked again at Mrs C's statements, and I don't think that can be right. Her direct debit on 9 September 2013 had been reversed, so she had missed that payment. Vanquis and I agreed on that. But then I think we disagree about how much she needed to pay. Vanquis now says it was £164.48. But the statement issued to Mrs C on 15 September 2013 says, in bold on the first page

*"This month you should pay at least £233.23".*

So if her payments were to remain up to date, there should be at least £233.23 of payments showing on her next statement, issued in October.

The statement issued to Mrs C on 15 October says

*"We have received last month's payment of £233.48"*

Mrs C paid £69 by debit card on 17 September. And she paid £164.48 by direct debit on 10 October. But, as I said in my provisional decision, the debit card payment of £69 was reversed on 7 October. So Vanquis didn't actually receive £233.48 from Mrs C.

I think that these statements set out that that Mrs C owed £233.23, not £164.28. And I don't think that Mrs C paid that. I think that Vanquis just overlooked at that time that her debit card payment was reversed. It's a little harder to understand why Vanquis hasn't realised that now. I still think that Vanquis made a mistake here.

Vanquis also said that the increase in Mrs C's external debt was gradual. It told us that she owed £919.00 in July 2013, £1,472.00 in August, £1,304.00 in September and £1,925.00 in October. And it said that it knew that no external debt payments were missed between October 2013 and October 2014, which suggested her external debt continued to be affordable.

I first considered a decision to offer Mrs C an increase in her credit limit which was made in November 2013. Mrs C had a relatively modest income, and her external debt more than doubled over the period of three to four months prior to this increase being offered. Although Vanquis now says no external debt payments were missed between October 2013 and October 2014, I think it's more relevant to look at the position that Mrs C was in immediately before she was offered an increase in her credit limit. And I can see from her credit file that she missed utility bill payments around August and September 2013, at the same time that she failed to pay her card bill in full.

Vanquis has argued that it has followed the best practice guidelines for considering increased lending. It says that only one of the relevant risk factors (paying the minimum payment) was present when it made the decision to offer Mrs C the relevant credit limit increase. But it seems to me that Vanquis has based that argument on what I think is a misunderstanding of Mrs C's payments in September and October 2013. I think those indicated a change in repayment behaviour. And it seems to have overlooked that Mrs C was over her limit in September 2013, as well as that her debt to income ratio had changed markedly and recently.

I still think that Vanquis made a mistake when decided in November 2013 to offer Mrs C a credit card limit increase from £1,500 to £2,250. And I still think that Vanquis should refund all the interest charged to Mrs C on any lending over £1,500, since the increase to £2,250 was implemented in December 2013. Vanquis Bank Limited should also refund any fees and charges applied to her account since this date.

### **my final decision**

My final decision is that Vanquis Bank Limited must refund all the interest charged to Mrs C on any lending over £1,500, since the increase to £2,250 was implemented in December 2013. Vanquis Bank Limited should also refund any fees and charges applied to her account since this date.

Vanquis Bank Limited can use this money to reduce Mrs C's debt in the first instance. If there is any money left over when it's done that, then Vanquis Bank Limited should pay that money to Mrs C.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 22 September 2018.

Esther Absalom-Gough  
**ombudsman**