

complaint

Mr P complains that Vanquis Bank Limited (“Vanquis”) has not treated him fairly in that it mis-sold him a credit card, and then irresponsibly increased the limit on the card. He would like Vanquis to refund all interest and late payment charges on the account, clear related adverse information from his credit file and pay eight percent interest on all refunds.

background

Mr P opened a credit card account with Vanquis in November 2011. He says that at the time, there was adverse information on his credit file, including a County Court Judgement (“CCJ”), which should have prevented Vanquis from lending to him. He says that Vanquis subsequently offered him increases to the credit limit on the card, from £1,000 in 2011, to £4,000 in 2016. He says he struggled to afford the card, and Vanquis should not have exposed him to the financial hardship the debt caused him.

Our adjudicator did not recommend that this complaint should be upheld. He considered that Vanquis was entitled to apply its lending criteria in the way it did, and to subsequent limit increase offers. He noted that the account had largely been maintained within its limits, and that Mr P needed to bear some responsibility for applying for the card and accepting the limit increases.

Mr P does not agree, saying his difficulties with other debts should have been taken into account by Vanquis when it lent to him, and then increased the amount of available credit.

my findings

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

whether the card account was mis-sold

I appreciate that Mr P feels very strongly that Vanquis should not have lent to him, given his credit history when he made the application, and his subsequent use of the card. There are limits to how far I can review a business’ lending decision, as these are matters of commercial consideration. But I have carefully reviewed Mr P’s credit history and use of the card to look at whether Vanquis treated him reasonably.

I note that Vanquis has described itself as a “second-chance lender”, meaning that it applies less stringent restrictions to lending applications than some other lenders. So the fact that Mr P had adverse information on his credit file when he made the original card application wouldn’t necessarily have excluded him from receiving credit.

I can see that when the application was made, the adverse information was more than 12 months old, and that he owed £1,100 to other lenders.

Vanquis was able to verify his annual income as being £30,000, and set a limit on the card of £1,000. So I haven’t seen anything which would lead me to conclude that the decision to approve the application fell outside Vanquis’ lending criteria at the time, or that it would cause Mr P financial hardship or would be otherwise unsustainable for him in light of his circumstances.

whether the credit limit increases were irresponsible

Turning to the limit increases, Mr P has said these were unaffordable for him, and should not have been offered. I have reviewed the statements on Mr P's account to see how he actually used the credit which was made available to him. I do note that he was quick to use the credit offered each time the limits were increased, and that he made regular cash advances on the card, and that these could support his view that he was struggling to manage the debt. But the card was largely maintained within its limits, so I don't consider it was irresponsible of Vanquis to make the limit increases offers it did, all of which were in \$500 increments.

I do agree that Mr P bears some responsibility for accepting those offers. From what Vanquis could see, he was managing his credit, and the increases were sustainable in the context of this conduct, and Mr P's ongoing employment and sustained household income. If this was not the case, it was for Mr P to refuse the offers while he brought his financial situation back under control.

Vanquis' response to Mr P's financial difficulties

Lenders are expected to respond positively and sympathetically if a borrower reports financial hardship. But I haven't seen any evidence that Mr P told Vanquis he was experiencing financial difficulties. So I can't say the business was unreasonable in not taking account or responding to them. If Mr P is now in financial difficulty, I would expect Vanquis to provide assistance, though this need not necessarily result in a refund of interest and charges.

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 Mr P to accept or reject my decision before 14 July 2017.

Catherine Wolthuizen
ombudsman