

complaint

Mr T complains that Vanquis Bank Limited lent to him irresponsibly when it increased his credit card limit from £250 to £3,000 over a period of two years.

background

Mr T opened a credit card account with Vanquis in February 2015 with a credit limit of £250. The credit limit was increased in October 2015, March 2016, March 2017 and October 2017 when it was finally increased to £3,000. In 2018, Mr T found himself struggling to make payments on the card. He contacted Vanquis and complained that the increases to his credit limit had been unaffordable. Vanquis looked into his complaint but rejected it, so he came to this service. Our adjudicator didn't think the complaint should be upheld but Mr T disagreed so he asked for review by an ombudsman.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. I'm sorry to hear about Mr T's financial difficulties since 2018, but based on the evidence I've seen, I don't think Vanquis was unreasonable when it increased his credit limit between 2015 and 2017 and I'll explain why.

Vanquis is a "second chance" lender which means it gives credit to people who may otherwise find it difficult to get credit. It still needs to lend responsibly and make sure that lending is affordable but its criteria for deciding who to lend to and how much to lend may be different to mainstream lenders. Vanquis noted that when Mr T opened the account, there were some defaults on his credit file but, as these were from several months earlier, it was prepared to lend him £250. I think this was reasonable in the circumstances.

The terms and conditions on the account say it may increase the credit limit but will give the consumer 30 days notice so they can refuse the increase if they don't want it. So I think Mr T had an opportunity to turn down the credit limit increases if he felt they weren't affordable or there'd been a change in his circumstances.

At the time each increase was made, Mr T had been making payments on the account above the minimum and appeared to be managing his debt adequately. I've considered his argument that the steadily increasing debt and the fact he was taking cash advances indicated he was struggling financially. But his external debt had gone down since 2015 and I don't think it was for Vanquis to question how he was using his credit. Vanquis checked that additional lending fulfilled its lending criteria before offering increases. Overall, I don't think it was unreasonable for Vanquis to increase the credit in stages given the good management of the account and the possibility for Mr T to turn down the increases in credit if he'd wanted to.

my final decision

For the reasons given above, it's my final decision that this complaint is not upheld.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 20 July 2019.

Susie Alegre
ombudsman