

complaint

Mr K complains that Vanquis Bank Limited lent irresponsibly when it increased his credit card limit in May 2015 and May 2016.

background

Mr K had a credit card with Vanquis. In May 2015 Vanquis contacted Mr K and said it was going to increase his credit limit from £1,000 to £1,750. A year later Vanquis contacted Mr K again to say it was increasing his credit limit to £2,250. Vanquis says it completed thorough affordability checks each time before it took the decision to increase Mr K's credit limit and gave him 30 days notice that his limit was going to increase.

In December 2016 Mr K contacted Vanquis to explain he'd been made redundant a few months earlier and was going through some financial difficulties. The account was put on hold under a plan Mr K had with Vanquis from January 2017 until April 2017. In May 2017 Vanquis agreed to reduce the interest rate to 1.99% and accept three payments of £50 a month. Vanquis later agreed a payment plan with Mr K.

In July 2018 Mr K complained that Vanquis had lent irresponsibly when it approved his credit card and later increased the credit limit. Vanquis responded on 21 September 2018 but didn't agree it had lent irresponsibly. Vanquis said the application and following credit limit increases had all met its lending criteria.

Mr K referred his complaint to our service and an investigator looked at what had happened. She said that part of Mr K's complaint had been referred to us too late so we couldn't look at Vanquis' initial decision to lend or any credit limit increases before 2015, when the limit went up to £1,750. The investigator didn't agree that the credit limit increase from £1,000 to £1,750 in May 2015 or the following increase from £1,750 to £2,250 in May 2016 were irresponsible so didn't uphold Mr K's complaint. Mr K asked to appeal.

In a previous decision I set out why we can't look at the credit card application or earlier credit limit increases. As Mr K feels the credit limit increases from May 2015 onwards were irresponsible and didn't agree with the investigator I've been passed his complaint to make 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.

As I've said above, in this decision I'm looking at two credit limit increases. The first was in May 2015 when Mr K's credit limit went from £1,000 to £1,750. The second was in May 2016 when Mr K's credit limit went up to £2,250. Mr K says that Vanquis should have been aware his credit limit increases weren't affordable because of information on his credit file that showed he was borrowing from payday lenders. He's also explained that at the time his income wasn't enough to cover his outgoings which meant the credit limit increases weren't affordable. In response to the investigator, Mr K's pointed out that his outstanding balance was over the credit limit in the run up to Vanquis' decision to approve more borrowing.

Vanquis has provided the information it had on file when it looked at Mr K's credit limit increases. And whilst I note everything Mr K says, the information I've seen shows the increases were in line with its lending criteria. I'll look at each of the increases in turn.

The payments Mr K made to his credit card in the months before the May 2015 increase were higher than the minimum payments he was required to make. I also note that in February 2015, three months before the increase was approved, Mr K repaid the outstanding balance of his credit card in full. Vanquis looked at information on Mr K's credit file and found there was no new or recent adverse information. Vanquis also thought the level of other debts Mr K had was acceptable so offered to increase his credit limit to £1,750.

In much the same way, a year later Vanquis reviewed Mr K's credit limit again. Whilst the outstanding balance had at points exceeded the credit limit, the amounts it went over by were small and payments were made to bring it back down. And, I note Mr K's point that he did miss some payment dates but the payments were then made up within the month they were due. That meant Vanquis didn't consider them as late.

Vanquis again looked at how Mr K's other credit had been handled and found no adverse information on his credit file. Vanquis did look for short term credit reported on Mr K's credit file but didn't find any at the time. I appreciate Mr K's since shown us his credit file that does contain information about loans from short term lenders but that wasn't something Vanquis saw when it checked.

I note that before Vanquis offered the credit limit increases it wrote to Mr K and gave him the option to decline them. Mr K didn't take that step and went on to use the funds on offer. I can see that Mr K later had difficulties paying and agreed a payment plan with Vanquis via a third party. Whilst I'm sorry Mr K has experienced financial difficulties, I'm satisfied Vanquis' decisions to lend in this case were reasonable based on the information it had.

Mr K later contacted Vanquis after he was made redundant and it agreed to reduce the interest rate he was paying and later entered a payment plan. Whilst I note Mr K's told us his financial difficulties started much earlier, I'm satisfied Vanquis acted positively and sympathetically after he asked for help.

I haven't been persuaded that Vanquis lent irresponsibly when it approved credit limit increases in May 2015 and May 2016 so I'm not telling it to take any further action to resolve this complaint.

my final decision

My decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 26 August 2019.

Marco Manente
ombudsman