

complaint

Mrs W complains that Vanquis Bank Limited was irresponsible as it lent her money that she could not afford to repay.

background

Mrs W applied for a credit card with Vanquis in August 2012. She was subject to an individual voluntary agreement (IVA) at the time. She was unable to make full payments in February 2016 and, with the help of a debt advice service, entered into a payment arrangement which is still in place.

The adjudicator did not recommend that the complaint be upheld. He said that:

- Vanquis has said that it is a second chance lender and that it offers credit to consumers looking to rebuild and improve their credit score.
- It provided him with the information it had about Mrs W's credit history. It knew at the time of her application that her last defaults and any county court judgments were over 22 months earlier.
- Mrs W said that her household income was then £29,000 and it offered her an initial modest limit of £100 on a credit card account. This was increased to £200 in December 2012; £400 in May 2013; and then £750 in January 2015.
- Mrs W would have been aware of these increases. She managed generally to meet the monthly payments that were due. She went over the limit in March 2015 and had some difficulty meeting the monthly payment in August 2015 but resumed payments shortly afterwards.
- Vanquis wrote to her in August 2015 to see if help or assistance could be provided. She entered into a payment arrangement in February 2016 and Vanquis accepted the £8.90 per month offered. This was altered further at her request and he thought that Vanquis had responded to her financial difficulties positively and sympathetically.
- Mrs W was fairly responsible for repaying this borrowing.

Mrs W did not agree. She provided information about her IVA which stated that details of this would have been visible on her credit record in 2012. The IVA did not complete until August 2016. She said it was very irresponsible to lend to her in these circumstances.

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've seen the information Vanquis looked at about Mrs W's credit commitments when she made an application for a credit card. And also at the times it increased her credit limit. It knew that she had a significant amount of debt that had previously defaulted. It had no record that she had taken any significant further borrowing since then. As the adjudicator says, at the time of her application it had been more than 22 months since the last default recorded. Vanquis has made clear to this service that the presence of an IVA would not stop it from lending to Mrs W even if it had been made aware of it. But that Mrs W ought to have gained the consent of the insolvency practitioner involved if borrowing more than £500.

I think it was reasonably clear to Mrs W that her credit history was not a bar to her first applying to Vanquis for credit: and then to her credit limit being increased. The adjudicator has made comments above about the nature of its business and this is reflected in the terms

on which it offers credit. The first credit card limit applied was low. It built up over time as Mrs W operated the account in a way Vanquis considered acceptable. That's a commercial judgement it made applying its lending criteria.

I've seen a copy of a letter Vanquis sent to her in January 2015 saying that it was going to increase her credit limit from £400 to £750 but that she could opt out. She used the account to the limit she was given.

Vanquis says it spoke to Mrs W in August 2015 and she told it that her missed payment then was a temporary, not long term, problem. It says that after it was contacted about the repayment arrangement all interest and charges were stopped on the account.

Mrs W was in an IVA from 2009 to 2016 that was described as a success by her insolvency practitioner. I don't agree that being in an IVA, in itself, meant that Vanquis ought not to have offered her credit. I'm assessing here what it did bearing in mind that she was in an IVA - even if it didn't find that out. I also don't think being in an IVA meant Mrs W did not bear responsibility for applying for and then using her credit card, however difficult her personal circumstances were. I think she was reasonably aware of the terms of the IVA and any related restrictions on further borrowing.

I put weight on the way that the limit on the credit card account was built up. It was over three years after she took the card before Mrs W told Vanquis that she couldn't maintain payments. It told her about the increases in the limits in advance and she had the ability to opt out. I don't find that it ought reasonably to have known when the last limit was applied that this borrowing would become unaffordable for her. It took account of her financial circumstances in agreeing a repayment arrangement. And it's told us that it has not registered a default.

So I'm afraid I don't find that it has acted irresponsibly or unfairly.

my final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 3 September 2018.

Michael Crewe
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