

complaint

Miss E complains that Vanquis Bank Limited irresponsibly increased her credit card limit and caused her financial difficulties.

background

Miss E is represented in this complaint by Mr E (not the same surname), but to keep things simple I will refer to their submissions as if they had all been made by her.

Miss E had a credit card with Vanquis. The original credit limit was £250, but in July 2013 this was increased to £1,000. She hadn't asked for that increase. She complains that this caused her financial hardship, as her account balance was constantly near the limit, and regularly exceeded it. She says she was always having to pay off interest. She'd resorted to payday loans. She argues that Vanquis should not have done this, as she had a poor credit history, including three recent defaults.

In December 2015 the limit was increased again, to £2,000. So in February the next year she closed her account. She says that Vanquis lent to her irresponsibly. She asks for all her interest payments since the first limit increase to be refunded.

Vanquis says it has done nothing wrong. It says it did credit scoring to assess Miss E's ability to pay. It had increased the credit limit because of her generally good management of her account. It tries to help people of modest means to get credit who might not get credit elsewhere, and so the negative information on her credit file wouldn't necessarily mean she would not qualify for the increase. It had written to her to give her 30 days' notice of the increase, and told her that she could cancel the increase if she didn't want it. Instead she had increased her spending and made full use of the first increase. So it does not agree to refund any interest payments.

Our adjudicator did not uphold this complaint. She said the account's terms and conditions say that Vanquis may increase the limit of its own accord, and that if it does so then it will notify her in writing and give her the opportunity to decline. It had done that, so Miss E could have declined the increase but had chosen not to. Instead she had spent the available credit, so she was liable for the interest on her purchases.

Miss E accepted that she may have acted irresponsibly – but she argued that the irresponsibility was shared with Vanquis. It was unfair of Vanquis to increase the limit. She had often exceeded the original £250 limit, and had been struggling. And it had given her the second increase after she had exceeded the first one. She asked for an ombudsman's decision.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. I have read the UK Cards Association's guidelines on "*Credit Card Limit Increases*," published in 2011, and taken them into account.

I do not uphold this complaint. I will explain why.

The guidelines say that a credit card provider may increase its customers' credit limits without being asked to, subject to certain conditions. They must do checks to make sure that

the customer will be able to repay what they borrow. This must include her credit file, and at least one other source from a list of three. Two of the items on that list are credit scoring and how the customer has handled her finances in the past. Vanquis says it did these checks, and decided to offer the increases.

The guidelines also say that Vanquis has to take into account any times when the customer has exceeded her credit limits in the past, as this may be an indication of financial difficulties. However, the guidelines also say "it is important to note that, in isolation, these may not in fact be indicators that a customer is showing signs of financial difficulties."

In March 2013, four months before the first credit increase, Miss E exceeded her limit by about £30. That doesn't appear on her credit file, because by the time her account balance was reported to the credit reference agency that month, she had brought the balance back within the limit. There were no other times in 2013 when she exceeded her original limit. Taking into account the fact that this excess was small, solitary, and short-lived, I don't think it should have indicated to Vanquis that she was in financial difficulty. So it seems reasonable to me that Vanquis decided that she was eligible for an increase.

Vanquis wrote to her to tell her that the limit would be increased to £1,000 in 30 days. It told her that if she didn't want the increase, she could easily decline it, and it told her the number to call if she wanted to do that. This it was required to do by the guidelines. It did this again when it increased the limit the second time. So although Miss E didn't ask for either increase, I think Vanquis did what it was supposed to do to tell her how to turn them down.

Miss E regularly exceeded the £1,000 limit during 2014. But not by much, only about £100 or so. She appears to have got her spending back under control again, as after November of that year she didn't exceed her limit again. So she remained within that limit for a full year before it was increased again. She didn't exceed the second limit, or even come close to it, and instead she closed her account. So I can't see that the second increase affected her.

The guidelines say that Vanquis should not increase a credit limit when a customer is in an arrangement to pay. But I can't see that Miss E was in an arrangement to pay at the time of either of the limit increases.

For these reasons, I am unable to say that Vanquis lent irresponsibly, or that it should refund the interest payments.

my final decision

So my decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss E to accept or reject my decision before 31 July 2017. But if we don't hear from her or from Mr E, then we will presume that she has rejected my decision.

Richard Wood
ombudsman