

complaint

Mr G has complained Vanquis Bank Limited added charges to his credit card account. He was also concerned at the number of phone calls he received when he was unable to pay his monthly bill.

background

Mr G opened a credit card account with Vanquis in 2013. At the time Mr G was in his 70s and getting his state and a small private pension. He wasn't anticipating any change to his personal circumstances.

He was initially granted a credit limit of £500. This was increased to £3,000 in less than two and half years. In May 2017 Mr G got in touch with us. He complained about his credit limits being increased and being encouraged to take out more debt. He was also concerned at the amounts he was paying to Vanquis for his repayment option plan. We referred this to Vanquis on his behalf.

Vanquis didn't believe they'd done anything wrong. All of Mr G's charges were in line with his terms and conditions. Mr G had only made two monthly payments towards his credit card account in 2017. Vanquis had made more than 100 calls to Mr G about his missed payments in the period of a month. These went unanswered. However having considered the issues with Mr G's repayment option plan, Vanquis offered to refund all those charges, along with interest on those charges and any related over-limit charges. This worked out at over £1,385.

Our initial investigator thought this offer was a fair outcome. He also asked Vanquis to pay Mr G £150 for the number of calls made to him which was likely to have caused him some distress. Mr G was still concerned he'd been given credit limit increases when he couldn't afford them.

After reviewing what checks Vanquis had carried out before changing Mr G's credit limit, our investigator also got hold of Mr G's bank statements around this period. She was concerned Vanquis's checks were inadequate. It was the last credit limit increase which had tipped Mr G into unaffordability. She asked Vanquis to refund all charges and interest that had been charged after Mr G's credit limit was increased to £3,000, along with the other agreed redress.

Mr G accepted this outcome. Vanquis didn't. They didn't feel they'd breached rules around assessing credit worthiness during the course of an agreement. They drew attention to The UK Card Association's best practice guidelines, as well as CONC, to show their offer to increase Mr G's credit limit was not irresponsible.

This complaint was passed to me to make a decision. I completed a provisional decision on 8 May 2019. I didn't believe Vanquis had acted fairly in increasing Mr G's credit limit to £3,000. I told them I'd be asking them to refund all interest and charges levied after the credit limit increase. I also thought their calls caused Mr G distress so asked them to pay him £300 in total.

Mr G accepted the provisional decision. Vanquis did not respond. Vanquis provided further evidence to show they believed Mr G understood the increases he was being offered. I'm now in a position to complete my final 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. I've seen nothing to suggest I need to revise my provisional decision so I've repeated the reasoning here.

I firstly considered Vanquis's offer to refund all Mr G's repayment option plan charges and associated fees and charges. This seems reasonable. I've not seen any evidence to show whether Mr G understood what he was making this monthly payment for and what he was getting in return. He was certainly concerned when he first came to us in May 2017 that this feature was costing him over £30 a month. I'm satisfied Vanquis's offer is fair and reasonable.

I've gone on to consider whether it was right for Vanquis to increase Mr G's credit limit.

I'll start by confirming some of what Vanquis stated in their response to us last September. They're right in saying they checked how Mr G had been handling his existing financial commitments along with carrying out a credit scoring assessment. This did meet the requirements of the former UK Card Association best practice guidelines. These would have been in force at the time Mr G's credit limits were increased. There were also rules within the Consumer Credit Sourcebook, set out in the Financial Conduct Authority's handbook. Vanquis is right about the location of the requirements to assess creditworthiness during the credit agreement. (Although these were substantially updated in 2018.)

Mr G's credit limit increased in jumps of £500, or £750. In slightly more than two years, his credit limit went from £500 to £3,000. This is a substantial increase – 600% – without there being any indication that Mr G needed or wanted these. As Vanquis has stated Mr G's "*outstanding balances had not significantly increased throughout the period under review*". So it seems clear to me Vanquis weren't increasing Mr G's credit limits to meet any need identified by him.

So what purpose did these credit limits serve? It's hard to escape the idea that Vanquis were hoping by offering Mr G more credit, he would be tempted to use more credit.

I understand, in line with guidelines at the time, Mr G will have had the opportunity to opt out of these increases. But I don't know whether he clearly understood this option. Mr G has told us he's "*poor moneywise*" so it's more than likely not.

Vanquis provided us with two phone calls to Mr G about the credit increases he was given. They believe this shows he understood what was happening. I've considered this along with Mr G's evidence he didn't clearly understand this. On balance taking into account Mr G's circumstances, I don't think he fully understood this process. But I will also add this isn't the main reason I decided the latter increase should not have been given.

I can see that there were no obvious triggers in how Mr G ran his account that would suggest he was suffering from financial difficulties up to December 2015. However there's no doubt Mr G was in financial difficulties by 2017. Vanquis don't dispute they made no attempt to assess Mr G's income at the time his credit limits were increased. But in fact they would have been aware of Mr G's age and personal circumstances. Mr G's income remained substantially constant throughout this period. He had a limited income which Vanquis would have known. Vanquis are concerned I believe they should have taken his age into account. I should clarify: when I say age and personal circumstances I mean the fact Mr G only ever had a limited income.

Their checks may have shown nothing to suggest an increase in his credit limit would be unaffordable but I believe taking into account his personal circumstances and information they already knew should have caused Vanquis to reflect. As Mr G's credit limit increased to £3,000, his potential minimum repayment was also likely to increase. This would have a substantial impact on someone on a fixed income.

By April 2016 Mr G's bank statements show that he was overdrawn on a regular basis. He was also regularly only making slightly more than the minimum repayment towards his credit card. Rather than before where he'd often pay twice the minimum. After never missing a credit card payment, he missed payments in February and March 2017. He made a payment in April 2017 but was already in arrears by that stage.

He'd also increased his spending on his credit card. His debt increased from £1,500 in October 2015 to £2,600 a year later. By April 2017 his credit card debt exceeded his credit limit. As Mr G's debt had grown, he'd become increasingly unable to meet his financial commitments and concerned at the amount he owed.

Taking all this into consideration, I believe the credit limit increase to £3,000 in January 2016 was unaffordable. This made Mr G's ability to manage financially on a fixed income much worse. To put things right Vanquis need to refund all interest and charges applied to Mr G's account after his credit limit was increased to £3,000.

I've also considered the phone calls Mr G received in April to May 2017. This is what triggered him to contact us as they were causing him so much distress. Mr G lives on his own. He's told us *"these people have caused my health to get worse with their bombardment of phone calls every day"*. Vanquis admit their systems are geared up to make three phone calls every day per phone number they hold on record. Mr G has two phone numbers. Although he wasn't answering the phone, I get the clear idea he felt under siege. Our investigator felt that £150 was an appropriate amount. But I don't. I'm going to ask Vanquis to increase this to £300 to reflect the level of distress their actions had on Mr G.

Once Mr G's credit card account has been adjusted I'm sure he may still owe some money to Vanquis. They will now be aware of Mr G's financial position and will discuss with him how this debt can be repaid in a manageable manner.

my final decision

For the reasons I've given, my final decision is to uphold Mr G's complaint against Vanquis Bank Limited. To put things right, I'm instructing them to:

- Refund all Mr G's charges for his repayment option plan, along with associated fees and charges;
- Refund all interest and fees added to Mr G's account after his credit limit increase to £3,000 took effect;
- Make arrangements with Mr G to repay any outstanding debt in a positive and sympathetic manner; and
- Pay Mr G £300 for the distress caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 30 June 2019.

Sandra Quinn
ombudsman