

complaint

Mrs A complains that Vanquis Bank Limited allowed her a credit card which was unaffordable for her.

background

Mrs A took out a credit card with Vanquis in 2012. At first the credit limit was £500. Mrs A kept up with the monthly payments. In April 2014 Vanquis increased the credit limit to £1,500. Mrs A quickly spent up to the new limit and fell into arrears. She'd like Vanquis to cancel all interest and charges on the account from the outset and compensate her for mis-selling the card.

Mrs A says the credit card was unaffordable right from the start. She says she had no income when Vanquis gave her the card. But our adjudicator pointed out that she'd said on her application that she was self-employed and that her household had an annual income of £12,000. She said it was reasonable of Vanquis to rely on this information. It had also carried out a credit check before granting the card. And the fact that Mrs A had been able to keep up with her payments until the credit limit was increased suggested that the original credit limit was affordable for her. So the adjudicator didn't accept that the card had been unaffordable from the outset.

But the Lending Code says that card issuers should check information from credit reference agencies before increasing the credit limit. Vanquis couldn't provide evidence that it had done so, so she wasn't convinced that it had complied with the Lending Code. It was clear from what had happened after the limit increase that it was unaffordable for Mrs A. She'd chosen to spend up to the new limit, so the adjudicator thought it was fair that she should repay the money. But she recommended that Vanquis refund all interest and charges applied to the account since the increase.

my provisional decision

After considering all the evidence, I issued a provisional decision on this complaint to Mrs A and to Vanquis on 15 September 2015. I summarise my findings:

- I agreed with the adjudicator that there was nothing that should have suggested to Vanquis that the original credit limit was likely to be unaffordable to Mrs A. It carried out a credit check and relied on the information which Mrs A had provided in her application. I thought it was reasonable of it to allow Mrs A the card on the basis of that information. And the way Mrs A ran the account before the credit limit was increased suggested that the credit was affordable to her.
- It was apparent from Mrs A's statements from May 2014 onwards that she couldn't afford the monthly payments that went with the increased credit limit. But I needed to decide whether Vanquis should have realised that before it raised the limit. And having considered everything that Mrs A and Vanquis have said, I wasn't convinced that it should.
- Vanquis says that before it increased the limit, it looked at the way Mrs A had run the account and did a credit check with credit reference agencies. But it can't provide evidence to show this, as those checks are fully automated and don't leave any trace on the consumer's credit file. Where it believes a customer is falling into financial

difficulties, it may check their credit reference agency records when considering whether to *decrease* the credit limit. But if it's considering *increasing* a credit limit, it also checks credit reference agency records first. I thought it more likely than not that Vanquis carried out an automated check with the credit reference agencies before increasing Mrs A's credit limit.

- But even if Vanquis didn't check credit reference agency information before increasing the limit, I wasn't convinced that Mrs A would be in a better position if it had done so. I'd seen a recent credit search in Mrs A's name. It showed several other accounts being well maintained at the point at which Vanquis increased her credit limit. And I was satisfied that it shows nothing which should have alerted Vanquis to any likely problem if it increased the limit. So I wasn't satisfied that a credit check with the credit reference agencies would, or should, have made Vanquis decide not to increase the limit.
- Mrs A chose to spend up to the credit limit. She's had the benefit of the money she spent. I wasn't satisfied that Vanquis acted irresponsibly when it increased the credit limit.
- I didn't find that there was any reason why Vanquis shouldn't have applied interest and charges to the account in line with the terms and conditions.

further submissions

Vanquis hasn't made any further points. But Mrs A is dissatisfied with my provisional decision. She says, in brief, that it only addresses her points about the issue of the credit card and the increase in credit limit. She says she's had problems with the card almost every month, even though she's had no problems with credit card accounts she has with other providers. She's referred to the documents she previously supplied.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Having done so, I'm not convinced that there's any reason to depart from the findings in my provisional decision.

I sympathise with Mrs A for the position she finds herself in. But I still don't consider that Vanquis was at fault for issuing the credit card to her, or for increasing the credit limit. This is for the reasons explained in my provisional decision. Nor do I consider that it's handled Mrs A's account inappropriately.

Mrs A has commented that Vanquis carried on applying interest and charges to the account even after she returned the card in January 2015. But the balance remained outstanding on the account. And as I said in my provisional decision, Vanquis was entitled to apply interest and charges in line with the terms and conditions.

I acknowledge that Mrs A's commented that Vanquis sometimes charged her a late payment fee even though she'd made a payment. But it was entitled to do so when she paid less than the minimum payment due, even where she did so before the due date. I have seen nothing to suggest that the charges or interest which Vanquis applied to Mrs A's account weren't in line with the terms and conditions.

Mrs A has commented specifically on a fee charged for a repayment option plan. But the charge was subsequently refunded and I'm not convinced that Vanquis caused Mrs A loss or significant inconvenience by applying it to her account.

Mrs A missed the payment that was due in early October 2014 and didn't manage to make the minimum monthly payment from then on. In February 2015 Vanquis sent her a default notice. And it passed the account to a debt collection agency in April 2015. It was entitled to do this and I don't consider that it was unreasonable in its requests to Mrs A to contact it about repaying the outstanding balance.

We do expect lenders to treat customers facing financial difficulties positively and sympathetically. Vanquis confirmed that no more interest or default fees will be applied while the account is with the agency. And it's provided Mrs A with details of free debt advice organisations. I'm satisfied that Vanquis has done all that I would expect in the circumstances.

I'm sorry to disappoint Mrs A. But having considered everything that's been said, my view remains that I don't find that Vanquis has been at fault in the handling of her account. So I can't require it to refund interest and charges to the account or to compensate her.

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 A to accept or reject my decision before 2 December 2015.

Juliet Collins
ombudsman