

complaint

Mrs G complains that Vanquis Bank Limited has unfairly applied charges to her credit card account.

background

Mrs G made the minimum contractual payments on her Vanquis credit card by direct debit every month. But in April 2009 her account went over its credit limit of £1,000. This was not because of spending. It happened because the contractual minimum requested by Vanquis did not include the monthly cost of the Repayment Option Plan (ROP), so the balance built up despite the minimum payments. Since then, the account has been repeatedly incurring over-limit fees and the balance has grown.

Mrs G complained but Vanquis said that the fees and charges were administered in line with the account terms and conditions.

Our adjudicator investigated the case and recommended that the over-limit fees should be refunded to the account. She pointed out that there has been no spending on the account. She did not think it fair and reasonable that the debt almost doubled despite the contractual payments being made. The adjudicator also recommended that Mrs G's credit file should be amended and that she should be paid £150 for distress and inconvenience.

Vanquis disagreed with the adjudicator's conclusions. It made these points:

- As Mrs G's account was opened before November 2011, the bank was not obliged to include all fees and charges in the minimum payment.
- Vanquis was satisfied that Mrs G had been provided with sufficient information in respect of the interest and fees that were due to be applied. Mrs G would have been made aware of the cost of the ROP and the estimated interest to be applied is listed on the previous month's statement.
- The charges applied were as a result of the account remaining over limit and would have been minimal if paid in the first instance. They were applied as per the terms and conditions.
- The bank has offered Mrs G different kinds of payment arrangements at a reduced interest rate and lower re-payments, but she has not agreed.

Mrs G has also questioned the sale of the ROP. That matter is the subject of a separate complaint to this service and I have not considered it in my 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.

Vanquis is correct in saying that the charges and fees were made in line with the terms and conditions of the account. What I need to decide is whether it was fair and reasonable for the bank, given what it knew about the activity on the account, to charge monthly over-limit fees triggered by the cost of the ROP being outside the minimum payment.

Looking at statements from January 2008 onwards, I can see no spending on Mrs G's account. She has not used the card for over five years. But since April 2009 the balance has grown from about £1,000 to over £1,900 as a result of the ROP and over-limit fees. Over half of that increase is made up of the over-limit fees.

I can also see that Mrs G took no action to bring down the growing debt. But she believed she was paying enough because she was making the minimum payments required by Vanquis and she appears not to have understood why the fees were accumulating.

It must have been clear to Vanquis that Mrs G was not using her card and that, despite the bank taking monthly minimum payments by direct debit, her debt was growing as a result of their fees. I believe Vanquis understood what was happening but Mrs G did not, and the bank could have taken action to bring an end to this cycle of charging. I accept that the bank had no regulatory obligation to include fees in Mrs G's minimum payment, but I believe it was unfair to allow her debt to accumulate as a result of over-limit fees in these circumstances. I therefore believe Vanquis should refund the over-limit fees to her account.

I should stress that I come to this conclusion only after considering the specific circumstances of Mrs G's account.

For the avoidance of any doubt, I make no finding on the part of Mrs G's debt made up of the ROP fees, which is the subject of a different complaint.

my final decision

My final decision is that I uphold this complaint and I require Vanquis Bank Limited to do the following:

- Refund all the over-limit fees from April 2009 onwards plus any interest paid on those fees. This refund should be made by reducing Mrs G's debt to the bank.
- Amend Mrs G's credit file to reflect that she has been repaying this account on time every month.
- Pay £150 to Mrs G for distress and inconvenience. This payment should be made by cheque.

Colin Brown
ombudsman