

complaint

The executor of the late Mrs C complains that Bank of Ireland (UK) Plc trading as Post Office Money (POM) increased Mrs C's credit card limit without carrying out a proper financial assessment and that the new limit was unaffordable.

background

Mrs C took out a credit card with POM in 2008 with a credit limit of £5,800. Mrs C managed her credit card account well - staying within the agreed limit and never missed a payment – so in 2015 POM increased her limit to £8,050.

The following year Mrs C's attorney wrote to POM to register her enduring power of attorney and explain that Mrs C had gone into a care home and that although her income was sufficient to continue to make regular payments towards her credit card debt, until her home was sold there was no prospect of the debt being repaid in full.

Having not receiving an acknowledgment or response to this letter Mrs C's attorney complained. Although POM had registered the enduring power of attorney it accepted due to an administrative error it had failed to respond and apologised for its mistake and offered £50 compensation for the trouble and upset caused.

Although Mrs C's attorney wished to accept £50 for his initial complaint he asked POM to consider two further complaint points around the assessment of affordability of Mrs C's credit card limit and - having been updated on her circumstances – why wasn't any action taken to reassess the debt.

POM disagreed that it hadn't properly assessed the affordability of Mrs C's credit card limit. It says that as a responsible payer Mrs C satisfied its criteria to have her limit increased and it hadn't previously been given any reason not to raise her limit.

But it agreed that actions should've been taken sooner in regards to notifying its collections team of Mrs C's circumstances and took action to put Mrs C in the position she would've been in if it had done things properly. This included:

1. refunding interest charged on Mrs C's account for the period following notification of her circumstances;
2. placing a 12 month interest freeze to allow the debt to be repaid;
3. refunding fees charged following the cancellation of a direct debit; and
4. arranging to have a mark reported to the credit reference agencies removed.

It also offered a further £50 compensation bringing the total compensation on offer up to £100.

Our adjudicator investigated the complaint and agreed that what POM was offering was a fair way to settle it, but Mrs C's attorney disagreed.

Sadly Mrs C has died since her complaint was initially brought to us and her complaint is now being brought on her estate's behalf by her executor. The executor wants POM to write off the late Mrs C's credit card debt to the old limit, or in total, whichever is the lower.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

And having done so, it might be helpful for me to say here that my role in this complaint is to look at problems that the late Mrs C experienced and see if POM has done anything wrong. If it has, I would seek to put Mrs C's estate back in the position it would be in if the mistakes hadn't happened. And I may award modest compensation that I think is fair and reasonable.

Mrs C's executor says that Mrs C had a limited income and couldn't afford the credit POM had allowed her and that her age in itself should've been a red light as her ability to make payments would cease on the need for paid care. He says the increase in her credit limit allowed her to indulge herself with overseas trips and buy things that weren't essential in maintaining her lifestyle. He says because of this she had to live frugally to afford her credit card payments.

While POM is entitled to make a commercial decision about who it will lend to and how much, I think it's important that it makes a fair assessment of its customer's ability to repay any credit given to protect both itself and its customers.

In doing this, I wouldn't expect POM to use Mrs C's age as a factor in assessing her credit limit – that would be discriminatory and unfair. And I don't think what Mrs C spends her available credit on and how she lives her life comes into it - they are entirely her choices to make.

POM only increased Mrs C's credit limit once in 7 years. And I can see from looking at Mrs C's credit card statements prior to this that she rarely used her credit card, never missed a payment, went over her limit - or came close. Based on this information, I wouldn't expect POM to dig any further before increasing her limit as I don't think there was anything here that suggested she was in financial difficulty or couldn't afford her payments.

So I don't think POM did anything wrong by increasing Mrs C's limit when it did. If Mrs C didn't want the increase she could've chosen not to accept it, but I've seen nothing to show me she wanted this.

I appreciate Mrs C's executor would like POM to write off some of her credit card debt but its declined to do this - as it's entitled to. Ultimately, Mrs C's estate owes POM money and in the circumstances of this particular case I don't see why it shouldn't seek payment for this debt.

But that's not to say POM did everything as it should have. POM accepts that it failed to respond to or acknowledge the letter received from Mrs C's attorney updating it on her circumstances. And it failed to pass this information on to its collections team. But to put things right it:

- refunded all the interest charged on Mrs C's account for the period following the receipt of her attorney's letter;
- placed a 12 month interest freeze on the account to allow her debt to be repaid;

- refunded fees charged following the cancellation of a direct debit and removed the mark reported on her credit file following this; and
- offered £100 compensation for the trouble and upset caused.

I consider these actions putting Mrs C's estate in the position it would've been in had the mistake not happened and I think the £100 compensation offered is a fair amount in the circumstances. So I know this is going to come as a disappointment to Mrs C's executor - in what must be a difficult time – but I'm not going to ask POM to do anything more.

my final decision

For the reasons I've explained, I think paying Mrs C's estate £100 compensation is a fair way to settle this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask the executor of Mrs C's estate to accept or reject my decision before 13 December 2017.

Caroline Davies
ombudsman