

## **complaint**

Miss L complains that it was irresponsible of Vanquis Bank Limited ("Vanquis") to increase the credit limit on her credit card.

## **background**

Miss L opened a credit card account with Vanquis in October 2011. The initial credit limit was £250. The limit was increased four times in the period from 2013 to 2016. The increases were offered by Vanquis each time, without Miss L having to apply.

In 2018, Miss L complained to Vanquis about the increases to the credit limit. She said she had other debts at the time of the increases and that there were defaults recorded on her credit file. She said this should have stopped Vanquis from increasing her credit limit and that they'd been irresponsible in doing so. She asked them to refund the interest she's paid on the account and pay her interest on that.

Vanquis didn't uphold Miss L's complaint to begin with. They said they'd carried out checks which were proportionate to the amount of credit being granted. And they didn't think they'd acted irresponsibly by offering to increase the credit limit.

Miss L wasn't happy with Vanquis' response so she brought her complaint to this service. During the investigation by our adjudicator, Vanquis reviewed the complaint. They said they were satisfied that the first two credit limit increases in 2013 were appropriate. But they said they didn't think they should have offered to increase the limit in 2014.

Miss L's credit limit had increased from £1,750 to £2,500 on 6 June 2014. Vanquis offered to refund additional interest Miss L had paid from that date onwards where the account balance had been more than £1,750. They also offered to refund a late payment charge from October 2016. And they offered to pay simple interest of 8% per year on the amounts to be refunded. Vanquis also said they'd reduce Miss L's credit limit to £1,750.

Miss L asked Vanquis to refund all the interest she'd paid since 6 June 2014, not just the interest on balances over £1,750. But our adjudicator thought what Vanquis had offered was fair so he didn't ask them to do any more. Miss L asked for her complaint to be reviewed by an ombudsman.

## **my findings**

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

From the information available, I don't think Vanquis acted irresponsibly by increasing Miss L's credit limit in 2013. But I agree with our adjudicator that the later increases shouldn't have been offered to Miss L, in light of information about her financial situation which was available to Vanquis at the time.

I think the way that Vanquis have offered to put things right is fair.

By refunding interest where the balance exceeded £1,750, Vanquis aren't benefitting from the unfair increase to the credit limit. But I'm not going to ask them to refund interest on balances up to £1,750. That's because I think it was reasonable for them to put the limit up

to £1,750 when they did. It follows that, if it was reasonable for Vanquis to extend that credit to Miss L, it was fair for them to charge interest on it.

Vanquis have also offered to pay interest on the sums they propose to refund. I think that's fair. It recognises the fact that, by paying interest on the higher balance, Miss L was deprived of money she'd otherwise have had. So it's right that they should not only refund that interest, but also compensate her (in the form of interest) for the time she was out of pocket because of it.

Miss L has said that, as a result of Vanquis increasing her credit limit in 2014, she had a larger balance to deal with which has taken her longer to pay off. I understand her point of view, but I have to be impartial. Miss L didn't have to accept Vanquis' offers to increase the credit limit. And she's had the benefit of the money the increased limits provided.

So I think Vanquis' offer is fair in the circumstances here.

### **my final decision**

My final decision is that Vanquis Bank Limited should:

- Refund to Miss L interest applied since 6 June 2014 on account balances over £1,750;
- refund to Miss L the late payment charge of £12 which was applied in October 2016;
- pay to Miss L simple interest of 8% per year on the interest and charges referred to above, from the date Miss L paid them to the date of repayment; and
- reduce the credit limit on Miss L's account to £1,750.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss L to accept or reject my decision before 29 February 2020.

Katy Kidd  
**ombudsman**