

complaint

Miss M complains that Vanquis Bank Limited lent irresponsibly when it approved credit limit increases for her credit card.

Miss M also complains about the service she received when she called to discuss her credit card and complain.

background

Miss M applied for a Vanquis credit card online in 2013. She told Vanquis that she was employed and earned around £7,000 a year. Vanquis approved the application and gave Miss M a credit card with a £250 limit.

Vanquis increased Miss M's credit from £250 to £1,000 in October 2015. In August 2016 Vanquis increased the credit limit from £1,000 to £1,750. Vanquis approved the final limit increase in September 2017 and it went from £1,750 to £2,500.

Miss M's told us that during this period she was only making minimum payments and had other credit issues she feels Vanquis should've taken into account. Miss M had two defaults, one in 2013 and the other in 2015, as well as arrears on a loan she had.

In 2018 Miss M contacted Vanquis and said she wanted to opt out of future credit limit increases. She later complained about the credit limit increases she'd had since opening the credit card in 2013. Vanquis looked at Miss M's complaint but didn't agree it'd made an error when it increased her credit limit and said it couldn't find anything to show she'd previously raised concerns about financial difficulties.

Miss M went on to refer her complaint to this service and an investigator looked at what had happened. She didn't agree that Vanquis had lent irresponsibly and thought it had provided good service. Miss M didn't accept the investigator's view and asked to appeal, so her complaint's been passed to me to make a 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'd like to begin by saying that I've reviewed and considered everything both Miss M and Vanquis have supplied in reaching my decision. I've been brief above as Miss M and Vanquis have both provided detailed submissions and the investigator's also explained what happened. I'm not going to respond to each and every point raised and will focus on what I think are the key issues here. But I want to assure Miss M and Vanquis that I've considered everything they've said and all the information submitted.

Miss M's complaint falls broadly into two parts. The first is about Vanquis' decisions to increase Miss M's credit limit in stages from £250 in 2013 to £2,500 in 2017. The second is about the service Miss M received when she contacted Vanquis to discuss her account and complain. I'll start by looking at the credit limits.

There's no specific set of checks a lender has to complete when deciding whether to approve credit. But lenders are required to complete checks that are proportionate to the type of credit being applied for to ensure the debt is sustainable for the customer.

Vanquis has supplied a detailed submission setting out the checks it completed each time it looked at Miss M's credit limit. While I appreciate Miss M feels Vanquis lent irresponsibly when it approved credit limit increases, I think the checks it completed shows the decision to proceed was reasonable. I'll explain why.

Miss M applied and was approved for a £250 limit in April 2013. Vanquis didn't increase the credit limit until October 2015, around two and half years later. I can see that between these dates Miss M had two defaults and she's asked why Vanquis would approve the limit increases if it knew about them. Vanquis has confirmed it did know about the defaults. But it's a "second chance lender". That means a limited level of adverse credit isn't necessarily a barrier to increasing a credit limit.

Vanquis says it looked at Miss M's payment profile and saw that whilst four payments had been made late there had been no issues for over a year. In addition, whilst Miss M had missed a payment on a loan, she'd gone on to settle the debt in July 2015. Vanquis has supplied systems evidence to show Miss M's credit limit increase met its lending criteria. And I'm satisfied that it completed proportionate checks so I haven't found Vanquis made an error.

Vanquis increased the credit limit from £1,000 to £1,750 in August 2016. It's supplied evidence to show Miss M's credit file was assessed and the amount of money she owed to other creditors had gone down. Miss M had also made her Vanquis payments on time and maintained her account. Miss M's defaults had been settled and no new ones had been incurred. Overall, I think Vanquis' decision to approve the credit limit increase here was reasonable in light of what it knew about Miss M.

The final increase was approved in September 2017. In the preceding year Miss M had gone over her credit limit six times. But when Vanquis looked at her credit file it found Miss M owed substantially less to other creditors. Looking at Miss M's credit file, it appears she repaid a hire purchase agreement around October 2016. In August 2017 Miss M made a payment of over £1,000 towards the outstanding balance. In addition, Miss M's defaults had been cleared and the most recent had happened over two years before. Taking everything Vanquis saw into account, I think it's decision to increase Miss M's credit limit was reasonable.

When Vanquis increased Miss M's credit limit it wrote to her first. I've seen systems evidence from Vanquis as well as details of the letters it sent. Vanquis told Miss M she didn't have to accept the limit increases and I think it could reasonably have expected her to say if she wanted to withdraw her permission for future increases.

I'm sorry to disappoint Miss M but for the reasons I've given above I haven't found that Vanquis lent irresponsibly in this case.

Businesses should treat customers who are experiencing financial difficulties positively and sympathetically. But I'd normally expect to see someone raise their concerns with a lender to let it know what was happening. I know Miss M says she raised financial difficulties with Vanquis before 2018 but it's contact notes don't show any record of that. The investigator asked Miss M to provide evidence she contacted Vanquis to raise her concerns but nothing has been provided. The earliest mention of financial difficulties appears to have been in May 2018. I understand Miss M was going through a really difficult time but I haven't found any evidence that she told Vanquis about that so it wasn't able to offer help.

Vanquis wrote to Miss M in May 2018 and gave details of a new offer and potential increase to her credit limit, despite her earlier complaint. I agree that the letter was poorly timed but it wasn't an automated credit limit increase letter. It was an invitation to upgrade Miss M's existing account and apply to increase her credit limit. The letter says any increase is subject to eligibility. I appreciate Miss M didn't want to take Vanquis up on the offer and that the timing of the letter was unfortunate. But I don't think those issues are sufficient to uphold Miss M's complaint.

Miss M has raised concerns over the service she received from Vanquis. I've listened to Miss M's calls with Vanquis from April and May 2018 and I can hear that things did become strained at times. But I think that reflects the nature of the subjects Miss M was discussing. I'm sorry to disappoint Miss M but I haven't found she received poor service.

Vanquis has also contacted Miss M to offer PIN reminders and other services connected to her credit card recently. Whilst I appreciate Miss M no longer has an outstanding balance she does have an open credit card. So I don't think it's unreasonable for Vanquis to write to her about that facility.

I can see that Miss M has been through a difficult time but I haven't found that Vanquis lent irresponsibly in this case. I'm satisfied it thought about whether to increase Miss M's credit limit each time before taking that step and that it contacted her to give her notice of what was happening. I've not found that Miss M raised her financial difficulties with Vanquis before 2018 and I think the service it's provided has been reasonable. Taking everything I've seen into account I'm satisfied Vanquis dealt with Miss M's complaint fairly so I'm not telling it to take any further action.

my final decision

My decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 30 April 2019.

Marco Manente
Ombudsman