

complaint

Miss M complains that Vanquis Bank Limited have contributed to her financial difficulty by giving her the credit limit it did and later increasing it.

background

In February 2012 Miss M applied for a credit card with Vanquis. She started with a credit limit of £1,000. In May 2014 Vanquis increased the credit limit to £1,750. Vanquis further increased it to £2,500 in October 2014 and £3,000 in March 2015. The final increase was to £3,500 in April 2016.

In March 2017, Miss M complained to Vanquis. She said that it had been irresponsible in lending to her, that she'd only made minimum payments whilst running the account, and that she'd taken a number of payday loans. As a result, she said she couldn't manage the credit she was given. Vanquis responded that it hadn't done anything wrong.

Miss M then complained to this service. The investigator found that the bank had applied the appropriate checks and affordability measures on application and when raising the credit limits. She felt that she couldn't fairly conclude that Vanquis had been irresponsible when applying the credit limits that it had.

Miss M disagreed and asked for a final decision from an ombudsman. She felt that even though she was managing the account itself, the fact she was using short term credit would've been visible to Vanquis and so it was irresponsible of it to lend her more.

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 realise this will come as a disappointment to Miss M but having done so I find that I agree with the investigator and for the same reasons. I'm very sorry to hear that Miss M has been experiencing financial difficulties. I can understand her concern that Vanquis may've been irresponsible in giving her the credit limits it did. But I can't safely conclude this.

When Miss M applied for the credit card, Vanquis said it assessed the application using a credit scoring process; it assesses the ability to pay based on the applicant's financial relationships and their management of existing credit products with other providers. Vanquis said that a credit report was provided at the time and that it became aware that Miss M had previous defaults but that these had been applied more than two years previously. It found that Miss M's income and outstanding balances of accounts fell within Vanquis' lending policy. Miss M has said that she had been taking out increasing payday loans. But from the credit file I can see when she applied for the credit card she hadn't taken one out for four months. The documents provided support this so I can't see that Vanquis has done anything wrong in the set up of the account or the starting credit limit.

Miss M has said that she was taking out payday loans and paying them off, then taking them out immediately again, often increasing the amount because she was reliant on them at the time. She believes Vanquis should've seen this as an indicator that larger credit limits would've been difficult to pay off and therefore not manageable. I've examined Miss M's statements and credit files. She took out a number of payday loans between 2011 and May 2014. During that period her credit card limit was £1000. Vanquis increased her credit limit in June 2014 and following this Miss M had no further payday loans. While I do appreciate that Miss M may have relied on payday loans for two years, this wouldn't necessarily indicate that she wouldn't be able to manage an increased credit card limit. All the loans she took she managed well and paid off promptly.

Miss M made regular payments into her credit card account and Vanquis increased her limit over the course of the year to £3,000 by May 2015. In its terms and conditions Vanquis says that:

3.1 We will set your Credit Limit when we open your Account and will tell you what it is. Your credit limit is the maximum amount that you can borrow and/or spend on your account. If we reasonably consider it appropriate (for example depending on how your account is run and/or whether your financial circumstances have changed), we may increase or decrease your credit limit from time to time and will notify you of any such change. You can tell us if you do not wish to have your credit limit increased or you want it reduced.

11.12 You can tell us at any time that you do not wish to receive credit limit increases and you can ask us to reduce your Credit Limit.

Vanquis has said that it informed Miss M of the proposed credit limit increases one month in advance. And it does appear that Miss M accepted these increases over the course of that year. In June 2015 Miss M paid down the credit card debt from £2,624 to £363. Miss M feels that Vanquis should've noted that being close to her limit on her Vanquis card and a second credit card, it was unlikely she'd be able to pay them back within a reasonable length of time. I can't see anything on her credit file that indicates Miss M took out extra credit in order to pay down this debt. So it does seem possible that Vanquis reasonably believed that Miss M was managing her card and that a further credit limit increase would be appropriate in April 2016.

Miss M has said that the increasing credit limits have made her financial position worse. The Lending Code requires financial institutions to be sympathetic and positive towards customers who are experiencing financial difficulties. Miss M hasn't said if she made Vanquis aware that she was having any difficulty or that she had a change in circumstances. She was making regular payments, albeit they were the minimum payments and she paid off a substantial amount before the last increase. So it's reasonable to conclude that Vanquis may not have been aware that Miss M was in financial difficulty.

my final decision

My final 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 17 November 2017.

Maxine Sutton
ombudsman