

## Complaint

Miss A has complained that Capital One (Europe) Plc (“Capital One”) irresponsibly provided her with a credit card, which it then increased the credit limit on, without checking her circumstances and this placed her in a revolving door of debt.

## Background

Miss A was provided with a credit card which had an initial limit of £500 by Capital One in August 2017. Miss A’s credit limit was increased to £1,500.00 in December 2017 before it was finally increased to £1,900.00 in June 2022.

Capital One didn’t think that it had done anything wrong when providing Miss A with her credit card or increasing her credit limit on either of the occasions it did. So it didn’t uphold the complaint. Miss A was dissatisfied with Capital One’s response and referred his complaint to our service.

One of our investigators looked at everything provided and she thought that Capital One had hadn’t done anything wrong or treated Miss A unfairly. So she didn’t think that the complaint should be upheld. Miss A disagreed with our investigator’s assessment and asked for an ombudsman to review her complaint.

## My findings

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

We’ve set out our general approach to complaints about unaffordable and irresponsible lending - including the key relevant rules, guidance and good industry practice - on our website.

Having carefully considered everything, I’ve not been persuaded to uphold Miss A’s complaint. I’ll explain why in a little more detail.

Capital One needed to take reasonable steps to ensure that it didn’t lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Miss A could afford to repay what she was being lent in a sustainable manner. These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and the consumer’s income and expenditure.

With this in mind, in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate. But certain factors might point to the fact that Capital One should fairly and reasonably have done more to establish that any lending was sustainable for the consumer. These factors include:

- the *lower* a consumer’s income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);

- the *higher* the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- the *greater* the frequency of borrowing, and the longer the period of time during which a customer has been indebted (reflecting the risk that prolonged indebtedness may signal that the borrowing had become, or was becoming, unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

I've kept all of this in mind when deciding Miss A's complaint.

Miss A's credit card was opened in April 2019 with a credit limit of £500. Miss A's credit card, under the regulator's rules and guidance, is also known as a revolving credit facility. As this was a revolving credit facility, this meant that Capital One was required to understand whether Miss A could repay around £500 within a reasonable period of time. Not whether she could pay the entire amount in one go.

Capital One carried out a credit check before initially providing this credit card. Capital One's credit check did show that Miss A had had previous difficulties with credit. I understand that she had a default recorded against her. But this was historic –so I don't think it was unreasonable for Capital One to have placed less weight on this in comparison to the other more recent low amounts of debt Miss A had, which she was managing reasonably well.

What is important to note is that a credit limit of £500 would have required relatively low monthly payments in order to clear the full amount owed within a reasonable period of time. And the information I've seen about Miss A's circumstances does suggest that she had the funds to make these payments. As this is the case, I'm satisfied that it wasn't unreasonable for Capital One to have agreed to open Miss A's credit card for her.

As I've explained in the background section of this decision, Capital One subsequently increased Miss A's credit limit on two occasions until it eventually reached £1,900.00 in June 2022. Capital One has said that it carried out credit searches on Miss A and considered this in conjunction with relying on Miss A's conduct and record on her credit card when deciding if it should make additional amounts available to her.

However, while I accept that Miss A was managing her account reasonably well, I don't think that this on its own was sufficient to conclude that these limit increases were affordable. In my view, given the amount Miss A would be expected to pay on the increased limits, I would have expected Capital One to have found out more about Miss A's income and expenditure (particularly about her actual regular living expenses) before offering these increased funds.

Capital One has been unable to evidence having done this in this instance. As this is the case, I don't think that the checks it carried out before it provided the December 2017 and June 2022 limit increases were reasonable and proportionate.

However, I don't think that Capital One attempting to find out further information about Miss A's living costs would have made a difference here. I say this because I've not seen anything that shows me that when Miss A's committed non-discretionary regular living expenses and existing credit commitments were deducted from what she received each month, she did not have the funds to make a sustainable repayment for balances that could have been owed as a result of the limit increases.

So, in these circumstances, it's difficult for me to conclude that Capital One wouldn't have lent even if it had tried to find out more about Miss A's regular living expenses at the respective times.

It's possible that Miss A's actual circumstances at the time may have been worse than what the information about her living costs shows. I know that Miss A has had some discussion with the investigator over her income and expenditure. But the truth is, given the circumstances here and what Capital One needed to find out, I don't think that reasonable and proportionate checks would have extended into obtaining bank statements – especially as bank statements weren't the only way that Capital One could find out about Miss A's living expenses in the first place. And they certainly wouldn't have gone into the level of granularity that Miss A appears to be suggesting that they should have done here.

In my view, delving into the detail of Miss A's statements in the way that Miss A has done here isn't commensurate with a proportionate check for credit card limit of the amounts involved. And most crucially I'm satisfied that Capital One taking further steps to find out more about Miss A's living expenses won't have led it to determine that the repayments for the increased credit card limits were unaffordable for Miss A. So I don't think that Capital One acted unfairly when it offered Miss A credit limit increases in December 2017 and June 2022 either.

Overall and having considered everything I'm not upholding Miss A's complaint. I appreciate this will be very disappointing for Miss A. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

### **My final decision**

For the reasons I've explained, I'm not upholding Miss A's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 15 April 2024.

Jeshen Narayanan  
**Ombudsman**