

Complaint

Mr M has complained that Capital One (Europe) Plc (“Capital One”) irresponsibly provided him with a credit card account, which it then increased the credit limit on, without carrying out comprehensive income verification or affordability assessments .

Background

Mr M was provided with a credit card which had an initial limit of £200 by Capital One in April 2019. Mr M’s credit limit was increased to £450 in August 2021 before it was finally increased to £1,200.00 in April 2022.

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

One of our investigators looked at everything provided and he thought that Capital One had hadn’t done anything wrong or treated Mr M unfairly. So he didn’t think that the complaint should be upheld.

Mr M 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.

Having carefully considered everything, I’ve decided not to uphold Mr M’s complaint. I’ll explain why in a little more detail.

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.

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 Mr M could afford to repay what he 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 Mr M's complaint.

Mr M's credit card was opened in April 2019 with a credit limit of £200. Mr M'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 Mr M could repay around £200 within a reasonable period of time. Not whether he could pay the entire amount in one go.

I understand that Capital One carried out a credit check before initially agreeing to provide this credit card. Capital One's credit check did show that Mr M had had previous difficulties with credit. I understand that he had some defaults and a county court judgment ("CCJ") recorded against him. But these were historic – more than three years prior to this application – so I don't think it as unreasonable for Capital One to have placed less weight on this in comparison to the other more recent low amounts of debt Mr M had, which he was managing well.

What is important to note is that a credit limit of £200 would have required very low monthly payments in order to clear the full amount owed within a reasonable period of time. And the information I've seen about Mr M's circumstances does suggest that he 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 Mr M's credit card for him.

As I've explained in the background section of this decision, Capital One subsequently increased Mr M's credit limit on two occasions until it eventually reached £1,200.00 in April 2022. Capital One has said that it carried out credit searches on Mr M and considered this in conjunction with relying on Mr M's conduct and record on his credit card when deciding if it should make additional amounts available to him.

However, while I do think that this was a reasonable course of action for the first credit limit increase, I don't think that this on its own was sufficient for the second one. In my view, given the amount Mr M would be expected to pay on the increased limit from April 2022, I would have expected Capital One to have found out more about Mr M's income and expenditure (particularly about his actual regular living expenses) before providing the April 2022 increase.

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 April 2022 limit increase were reasonable and proportionate.

Ordinarily, where a firm failed to carry out reasonable and proportionate checks before providing credit or increasing the amount available to a customer, I'd usually go on to

recreate reasonable and proportionate checks in order to get an indication of what such checks would more likely than not have shown.

However, despite having been provided with sufficient opportunity, Mr M has not provided us with all of the information we've asked him for in order to be able to assess what his circumstances were like at the time he was provided with this limit increase. And without this information I'm unable to ascertain whether proportionate checks would have prevented Capital One from making additional lending available to him.

Furthermore, bearing in mind the amount of the monthly repayments required and Mr M appears to have made his payments, I can't reasonably conclude that the repayments in themselves were demonstrably unaffordable at the time either, notwithstanding being unable to recreate what proportionate checks are likely to have shown.

So I've not been persuaded to uphold Mr M's complaint about his credit limit being increased to £1,200.00 in April 2022 either.

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

My final decision

For the reasons I've explained, I'm not upholding Mr M's complaint.

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

Jeshen Narayanan
Ombudsman