

The complaint

Mr J complains that he was mis-sold a credit card by American Express Services Europe Limited (AESEL). He's also unhappy that his request for a credit limit increase was declined.

What happened

In February 2023 Mr J applied for a British Airways American Express Accelerating Business Card. Mr J's application was approved and he was given an account with a credit limit of £6,700.

On 24 August 2023 Mr J requested to increase his credit limit to £10,000. The request was declined. Mr J requested to increase the credit limit to £10,000 again on 25 August 2023. The request was declined.

On 4 September 2023 Mr J reduced his credit limit from £6,700 to £1,500 via his online account. He then attempted to increase the credit limit to £15,000. The request was declined.

Mr J contacted AESEL to appeal the decision. AESEL asked Mr J to supply bank statements so it could conduct a credit review. Mr J wasn't happy to provide further financial information. He said he'd tried to increase his credit limit from £6,700 to £15,000 but an error had occurred, and his credit limit had been decreased to £1,500. Mr J said he wanted the credit limit increased back to £6,700.

AESEL said it couldn't increase the credit limit back to £6,700 due to an increase in Mr J's debt ratio.

Mr J complained to AESEL, but his complaint wasn't upheld so he approached this service. He says he wasn't told about any restrictions on the card and has had several credit limit increase requests declined, even though he has never missed a payment and has no debt and considerable assets. He's cancelled the card as he feels that it was mis-sold. He wants the full card fee refunded and compensation.

Our investigator didn't uphold the complaint. She said that AESEL had provide clear reasons for declining the credit limit increase and had partially refunded the annual fee for the card, which she said was fair.

Mr J didn't agree. He said AESEL had acted unfairly by reducing the credit limit. He said that AESEL should only be able to change the credit limit if it had good reason to do so. Mr J said that when he took out the card AESEL had acknowledged that his credit limit requirements had gone beyond the credit limit of £6,700 and told him it could be increased later to accommodate additional spending. Mr J said the reduction of his credit limit from £6,700 to £1,500 was due to an error, and that it should not have required a review of his creditworthiness. Mr J said that if a review had been undertaken at this time, AESEL would not have seen a change in his debt ratio which would've justified any reduction in the credit limit.

What I've decided – and why

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

When Mr J took out the card, he agreed to be bound by the terms and conditions of the account. These state that the credit limit can go up or down. Therefore, as a general principle, AESEL has the right to increase or decrease the credit limit. And although Mr J has suggested that AESEL should have a good reason to increase or decrease the credit limit, this isn't something which is written in the terms and conditions, so I'm unable to say that AESEL are required to demonstrate a good reason each time they change the credit limit.

I can see that when Mr J took out the card, he was given an initial credit limit of £6,700. Mr J attempted to increase the credit limit in August 2023 to £10,000. On each occasion, his request was declined due to his current debt capacity.

Debt capacity is a measure of the total amount of debt that a lender is willing to provide to a business (in this case, Mr J's card was a business card). Each lender has its own policy on how much debt it will lend to a borrower. There are many factors which influence debt capacity, such as (for example) income, expenditure, assets, liabilities, credit history and credit score.

I've reviewed the internal screenshots provided by AESEL. These show that on 4 September 2023, Mr J accessed his account online and reduced his credit limit to £1,500. He then immediately requested a credit limit increase to £15,000. This request was declined due to current debt capacity.

Mr J has said that the credit limit reduction was an error. He says he doesn't know whether it was an error on his part (i.e., keying in the wrong figure) or a system error by AESEL. Given that Mr J had previously attempted to increase his credit limit, I don't think it's likely that he intended to request a credit limit decrease. I've reviewed all the available information. I haven't seen anything to suggest that there was any issue with AESEL's systems on that date, so it seems likely that this was a human error.

Mr J has made the point that because the credit limit reduction was due to an error, there should be no issue in restoring the credit limit to what it was immediate before the error i.e., £6,700.

AESEL has explained that no increase could take place without a credit review being conducted. Initially the review didn't take place because Mr J wasn't willing to provide financial information. But ultimately, AESEL wasn't able to conduct a review because Mr J's debt ratio had increased, and this meant that the previous limit of £6,700 couldn't be approved.

I appreciate that Mr J doesn't agree that a review was warranted. However, the review is part of AESEL's internal processes, and this service isn't able to ask a business to change or make exceptions to its processes. What we can do is look at whether the process was applied fairly. In this case, I think it was reasonable for AESEL to request financial information from Mr J.

As I've said above, ultimately the credit limit couldn't be increased to £6,700 because of Mr J's debt ratio. Mr J has said that there was nothing which would've caused his debt ratio to be any different from when he first applied for the card in February 2023. I'm unable to comment on this as I'm not privy to all the information which AESEL took into account when looking at debt ratio. However, ultimately, it's up to AESEL as a lender whether they decide

to increase a credit limit or not. This is a commercial decision, and this service isn't able to interfere with that decision unless there is evidence of an error, or of unfairness. In this case, I haven't seen anything to suggest that AESEL made an error or treated Mr J unfairly.

I understand that Mr J has now cancelled the card and has received a partial refund of the card fee. Mr J used the card for part of the year, so I think its fair that a partial refund was issued. Because I haven't found that AESEL treated Mr J unfairly, I won't be asking them to do anything further.

My final decision

My final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 5 August 2024.

Emma Davy
Ombudsman