

## **The complaint**

Miss B, through her representative, complains that Capital One (Europe) plc, a credit card company, lent to her by approving the credit card and then increasing the credit limit when she could not afford it.

## **What happened**

Miss B applied for the credit card with Capital One on-line in January 2022. The card was approved with a credit limit of £200. On 16 June 2022 Miss B was offered a credit limit increase to £800 which she accepted.

Miss B's representative complained to Capital One in September 2023, and it sent its final response letter (FRL) in November 2023. Capital One gave explanations in its FRL why it was not upholding Miss B's complaint and so her representative referred it to the Financial Ombudsman Service in December 2023.

One of our investigators considered all that her representative had said and the evidence of the checks Capital One had carried out before it approved the card. He did not think it had made an irresponsible lending decision. His view was the same in relation to the credit limit increase in June 2022.

Miss B's representative has said that there was evidence of Miss B having obtained other credit before the January 2022 card approval, had been in excess of her credit limit once, had used a different credit card for cash once and had 14 late payments on other accounts.

It said that the picture was similar in June 2022 before the credit limit increase. So, Miss B's representative disagreed with our investigator's view and it asked for an ombudsman to review the complaint. It was passed to me to decide.

## **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.

Our approach to unaffordable/irresponsible lending - including all the relevant rules, guidance, and good industry practice - is set out on our website and I have followed it here.

Capital One is required to lend responsibly. It needed to conduct checks to make sure that the credit it was giving to Miss B was affordable and sustainable. Such checks needed to be proportionate to things like the credit limit it offered Miss B, how much she had to repay (including interest and charges) each month, her borrowing history with it and what Capital One knew about her circumstances.

This means to reach my conclusion I need to consider if Capital One carried out proportionate checks at the time of Miss B's application and when it applied the credit limit increase; if so, did it make fair lending decisions based on the results of its checks; and if not, what better checks would most likely have shown.

The approach by Capital One is not just looking at the likelihood of the credit being repaid, but the impact of the repayments on Miss B. There is no set list of checks that it had to do, but it could take into account several different things such as the amount of credit being

applied for, the monthly repayments and the overall circumstances of the borrower.

Also, I'll consider whether Capital One acted unfairly towards Miss B in some other way.

Did Capital One do reasonable and proportionate checks? Did it make fair lending decisions?

*Opening of the account in January 2022 with a £200 limit*

Miss B applied for the credit card and informed Capital One that she earned £13,500 a year (before tax), had two dependents and rented her home. She had said that there was a second income into the household. There was no application for a balance transfer.

Capital One has sent to us records of the credit searches and verification checks it did before approving the card in January 2022. Having reviewed them I can see that it knew Miss B had three other credit cards one of which was close to its limit and the other two were not. Each of the limits on those other cards were relatively low and ranged from £1,000 to £300.

Although Miss B's representative has referred to her having obtained cash from a credit card and having exceeded her limit (which can be indicative of having some financial strain), it seems to be referring to other credit cards – not this account. And the searches Capital One carried out did not show that level of detail for the other accounts Miss B had in January 2022. I don't consider that unreasonable by Capital One. Different credit searches reveal differing elements.

The records Capital One had obtained showed that Miss B had other accounts such as a utility account, current account, and telecommunication accounts. All of these were being satisfactorily run. There were no indications for any late payments, arrears, or other information of an adverse nature.

Capital One had records to show that Miss B had historic loans, all of which had been settled some years before. It also showed that Miss B had two loans with low outstanding balances which did have arrears and were being paid down with a fixed payment of £5. It's not clear whether they were monthly or weekly. Miss B had a loan costing her £146 a month and that had been opened in August 2021. There were no adverse entries for that.

So, for the initial card application I consider that Capital One carried out proportionate checks and that the approval with a low credit limit of £200 was a responsible lending decision.

*Credit limit increase in June 2022 to £800*

When Capital One assessed Miss B for the limit increase, it would have reviewed how she had been running the credit card account. I have seen those records. Miss B was paying the minimum payments figure requested of her, or a sum much higher than that for each of the five months up to the credit limit increase offer. So, Capital One would have seen a satisfactorily managed account.

Capital One carried out a credit search in June 2022 and it showed that Miss B had £1,700 total credit card debt and £4,600 of non-mortgage debt which I take to be loans. The records showed no County Court Judgments, no insolvency detail recorded, no defaults or arrears.

So, this combined with the satisfactory running of the credit card account for the previous months was not likely to have prompted Capital One to consider any additional checks were required.

The checks Capital One had carried out were proportionate to a relatively modest increase in the credit limit. And it had satisfied itself Miss B was able to pay down the card (if used to the full limit) within a reasonable time.

I consider Capital One made a fair and reasonable lending decision and my decision is that I do not uphold the complaint.

Did Capital One act unfairly or unreasonably in some other way?

I've also considered whether Capital One acted unfairly or unreasonably in any other way and I have considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974.

However, for the reasons I've already given, I don't think it lent irresponsibly to Miss B or otherwise treated her unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

**My final decision**

I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 11 September 2024.

Rachael Williams  
**Ombudsman**