

The complaint

Mr B complains that Capital One (Europe) plc increased his credit limit without conducting proper checks. He's explained that this was irresponsible as it was clear the credit card was being used for his gambling addiction.

What happened

Mr B took out a credit card with Capital One in 2012, he had a credit limit of £1,500. Mr B said that after this, during a difficult time in his life, he started gambling. In June 2016, Capital One increased Mr B's credit card limit to £1,750. Mr B says that it didn't carry out enough checks, he explained that at this point he was a heavy gambler and only used his card to withdraw cash which funded his gambling. He also explained he'd relied on payday loans in the run up to the credit increase.

In December 2017, Capital One increased Mr B's credit limit to £2,250. Mr B said he'd continued to gamble during this time, and had relied on payday loans. He submitted his current account statements to show he was using a large proportion of his income to pay debt and he felt that Capital One didn't do enough checks, and shouldn't have increased his limit.

Our investigator felt that Capital One had carried out sufficient checks prior to each increase. This included looking at the way Mr B had managed his credit card and his overall debt. It could also see that there were no live payday loans at the time of the increases. Our investigator said that the checks carried out were proportionate and wouldn't have alerted Capital One to any issues Mr B was experiencing.

Mr B has provided information to show the payday lending and gambling transactions around the time of the credit limit increases. He believes more checks should've been done. He has also said that the salary Capital One is relying on isn't correct.

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 someone complains about irresponsible and/or unaffordable lending, I need to consider whether the lender completed reasonable and proportionate checks to satisfy them the lending was affordable, and that the affordability was sustainable. Where reasonable and proportionate checks were carried out, I need to consider if the lending decision was fair. And if reasonable and proportionate checks weren't carried out, I need to consider if the lending would've been approved if the checks had taken place.

There's no set list for what reasonable and proportional checks are, but I'd expect lenders to consider things such as the amount of the credit limit being applied for; and Mr B's personal circumstances at the time of application.

2016 credit limit increase

This credit limit increase was for an additional £250. Capital One has shown us the checks that it completed at the time. It saw that Mr B had made more than the minimum repayment of his card regularly, and he'd not gone over his limit. It was recorded that he had around £900 of unsecured debt and had taken out and repaid two payday loans in the last six months. The information that Mr B had given Capital One when he applied for his credit card showed his annual salary was £37,000 made up of a main income of £21,000 and another source of income of £16,000. From this information, I don't think it was unreasonable for Capital One to offer to increase Mr B's credit limit by £250.

I can see Capital One wrote to Mr B two months before the increase to make him aware the increase would happen, and give Mr B an option to decline the increase. From the information Capital One had on Mr B, I don't think there was any reason to conduct any additional checks, particularly as the credit limit increase was for a fairly low amount. This is why it wouldn't have seen Mr B's current account statements, which showed that he'd often gamble. So, I don't think Capital One did anything wrong by increasing Mr B's credit limit in 2016 based on the checks it had completed.

2017 credit limit increase

This credit limit increase was for £500. The increase was offered to Mr B in October 2017, which is when Capital One completed its checks. The increase was applied in December 2017. At the time of the checks, Capital One has shown us that Mr B's unsecured debt was around £4,400 and it hadn't been informed of any changes in his salary. This Capital One credit card hadn't been used since June 2017 and had an outstanding balance of around £1,500. Mr B had paid more than the minimum amount on several occasions and hadn't gone over his limit.

Capital One's checks also showed that Mr B didn't have any active payday loans. His credit card statements show he did use the card at betting shops but the amount averaged around £50 in the months he used the card. Based on these checks, Capital One increased Mr B's limit by £500.

Although Mr B's debt had substantially increased since the previous limit increase, I don't think it was at a level that would suggest a £500 increase was unaffordable at the time. The information Capital One had said Mr B was earning £37,000 per year, and he'd managed his card well up to this point. And although there had been another payday loan within the last six months, this had been repaid. I think the checks that Capital One made were proportionate to the amount it was willing to lend to Mr B. And I don't think there was any indication that it should look further. Although there were some gambling transactions, I don't think there were enough to suggest that Capital One should be aware there may be a problem.

Mr B has provided me with bank statements to show that he was regularly gambling during that time, and that he had taken out a further payday loan. These statements generally cover the time period between the checks being carried out and the increase taking place – so the payday loan wouldn't have come up on the checks Capital One had completed. I can see from Mr B's current account statements that he was gambling regularly, but I have to determine whether Capital One ought to have been aware of this when it offered his credit limit increase. And, for the reasons I've explained above, I think the checks it did were proportionate. This means it didn't have a need to look at Mr B's current account statements – only upon sight of these would there be an indication of a possible problem. As I don't think Capital One needed to carry out more thorough checks, it follows that it's reasonable it wasn't aware of any issues.

What Capital One has done now

In October 2018, Mr B made Capital One aware that he was in financial difficulty. I understand there were some issues which have been dealt with separately, but I can see that Capital One made Mr B aware that help was available. I've seen that since it has reduced Mr B's minimum repayments to 1% and has offered him assistance to organise a repayment plan.

I can understand Mr B is in a difficult position, and I'd expect Capital One to deal with Mr B positively and sympathetically. I encourage Mr B to continue to communicate with Capital One about his circumstances to ensure an agreement can be reached going forward. I do understand that Mr B's circumstances over the last few years have been very difficult for him, but I hope I've explained why I don't think Capital One should've carried out any further checks than it did when it gave him the credit limit increases.

My final decision

For the reasons I've explained, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 7 July 2021.

Charlotte Wilson
Ombudsman