

The complaint

Mr P complains that Capital One (Europe) plc irresponsibly increased his credit limit, and later defaulted his account.

What happened

In 2009 Mr P entered a regulated credit card agreement with Capital One. His credit limit was increased five times, and Mr P seeks to complain about all of these, on the ground that Capital One ought to have realised that he could not afford the increased borrowing, due to his gambling habit. However, it is not in dispute that only the fifth increase falls within the jurisdiction of this service, since the other four are time barred.

The fifth limit increase was on 10 August 2014, from £2,800 to £3,050, an increase of £250. In 2017, his account was defaulted, because he had failed to pay an overdue amount of around £346.

Mr P complained to Capital One about in late 2019, and when his complaint was not upheld, he brought this complaint to our service.

Our investigator upheld this complaint in part. He thought that Capital One should not have given the fifth limit increase, because it had not carried out sufficient checks. He recommended that it refund all interest and charges incurred since then, and if that turned out to be more money than Mr G owed, then Capital One was also to pay interest on the difference between the refund and Mr G's outstanding debt at eight per cent a year. He also said Capital One should pay Mr G £100 for his inconvenience. But he thought the account would still have been defaulted even if the limit increase had not happened, so he did not make any recommendation about that.

Capital One agreed with the investigator's opinion. Mr P did not. He said that but for the limit increase, he could have continued to afford making the minimum payments on the account. He asked for an ombudsman's decision.

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.

Since Capital One has accepted the investigator's findings about the limit increase, and his proposed compensation for it, I do not need to consider that again. I will endorse the proposed award. For completeness, I agree that the other limit increases are time-barred.

Having considered the default, I do not think that would have been avoided if the fifth limit increase had never happened. I will explain why.

Firstly, the minimum payments due each month were typically the same after the 2014 limit increase as they had been before. The increase did not result in a significantly more onerous

monthly debt, on average.

Secondly, Mr P exceeded his credit limits both before and after the increase. So even if the limit had not increased in 2014, it's likely that he would still have had a similar account balance in 2017, and still been defaulted.

Thirdly, the overdue amount when the default notice was served was, as I've said, less than £350. Even before the August 2014 limit increase, the minimum monthly payment was sometimes more than that (for example, £534 in March 2014). So if Mr P could not afford £346 in 2017, I think it's likely that he would still have been unable to pay a similar amount in 2017 even if the old credit limit had applied.

For all of these reasons, I think it is more likely than not that this account would have been defaulted even if the 2012 credit limit had continued and not been increased. I therefore do not think it would be fair and reasonable of me to order Capital One to remove it from Mr P's credit file.

My final decision

My decision is that I uphold this complaint. I order Capital One (Europe) plc to:

- Refund all interest and charges Mr P incurred from 10 August 2014 to the date of the default (2 May 2017),
- If that refund exceeds Mr P's current outstanding debt, then to pay simple interest on the difference at the rate of eight percent a year,
- Pay Mr P another £100 for his trouble.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 29 September 2021.

Richard Wood

Ombudsman