

The complaint

Mr M complains that Capital One (Europe) plc provided him with credit irresponsibly.

What happened

Mr M's credit card account was opened in February 2015 with a credit limit of £200. In May 2017 the credit limit was increased to £450.

Mr M complained to Capital One in April 2021. He said that Capital One shouldn't have given him a credit card in 2015 or increased the credit limit in 2017 as the lending wasn't affordable in his circumstances. He said he was experiencing financial difficulties and relied on his credit card for everyday living costs and repaying other creditors.

Capital One said the complaint about the initial credit card sale was out of time - as more than six years had passed before Mr M raised his complaint. But it did look into the credit limit increase in 2017.

But, having done so, Capital One didn't agree that it had done anything wrong. It said it had carried out relevant affordability checks which included reviewing Mr M's credit file along with the conduct of how his account had been managed. And it found that these checks didn't reveal any signs of financial distress. Unhappy with the outcome, Mr M referred his complaint to this service.

Our investigator said that - under our rules, Mr M had referred the original lending decision to us too late. But he said we could look into the limit increase in 2017. However, he didn't uphold this part of the complaint. He thought the checks Capital One had done when it increased Mr M's credit limit to £450 were proportionate to the level of borrowing and didn't indicate any reason why Capital One shouldn't have increased Mr M's credit card limit.

Mr M accepted that we couldn't consider the complaint about Capital One's initial decision to provide a credit card to him. But he didn't agree that Capital One had done sufficient checks when it increased the credit card limit. He provided copies of his bank statements showing his income and outgoings which included gambling transactions and details of other creditors.

Our investigator didn't think this altered the outcome he'd reached. He said that: the bank statements post-dated the limit increase; occasional gambling transactions didn't indicate he was reliant on gambling to make ends meet; and, that the existence of other creditors didn't automatically mean Capital One had done anything wrong.

He accepted that if Capital One had made further enquiries about Mr M's financial situation it would have seen other risk indicators. But he didn't think Capital One had been required to do due further checks in the individual circumstances of this limit increase.

Mr M responded with extracts from the Consumer Credit Sourcebook (CONC) – the regulations which set out a lenders responsibility when providing credit, and details of other

complaints which had been upheld. As Mr M didn't accept the investigator's findings, his complaint has come to me to decide.

Mr M has already accepted that this service can't look into the initial lending decision when the credit card was given to him in 2015. So, for clarity, this decision solely relates to the credit limit increase in 2017.

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.

This includes the information Mr M has provided after our investigator sent Mr M his findings on the complaint. Having done so, while I'm sorry to disappoint Mr M, I've reached the same overall conclusions as our investigator. I'll explain why.

Capital One is required to lend responsibly. It needs to conduct checks to make sure that any credit facility it provides is affordable and sustainable for the customer. Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. For example:

- the credit limit offered,
- how much needs to be paid back (including interest),
- the monthly repayment, and
- what it knows about the customer's financial position.

Generally speaking, sometimes we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify it. For example, in the early stages of a lending relationship or when the lending amount is modest. But we might think it needed to do more if, for example, the amount lent was high or if several limit increases/other credit had been previously given.

In Mr M's case, the credit limit increase in 2017 was the first limit increase since inception of the credit card facility. It was increased by £250 – from £200 to £450, and the minimum monthly repayment required each month was 1% of the outstanding balance plus interest (subject to a minimum of £5). I consider this to be a very modest credit limit and monthly repayment amount.

Capital One says that, when it increased Mr M's credit limit in 2017, it reviewed the conduct of his account during the previous 12 months. And that it found the account was well maintained – payments were made on time, often more than the minimum payment required and on occasion Mr M cleared the balance in full. I have reviewed the transaction history on the account that Capital One has provided to support its findings and I'm satisfied there wasn't anything about the conduct of Mr M's account directly leading up to the credit limit increase which should have concerned it.

Capital One has also shown that it did a credit search on Mr M. I've seen the results of that search and I'm satisfied that this shows Mr M's annual income to be around £5,200. But it does also show that he missed one monthly payment to another creditor in the previous six months. So, I've thought about this carefully. But I don't think one missed payment in the previous six months – in itself, is enough reason for Capital One to have thought providing a credit limit of £450 was unaffordable or unsustainable to Mr M at that time.

Mr M has provided a full copy of his credit file which he feels explains his financial situation in more detail. And I can see that this shows Mr M did have other occasional missed payments to other creditors more than six months before Capital One increased his credit limit. However, the report also shows that Mr M was able to recommence his payments in the following months after the missed payments. So, I don't think a few missed payments – spread over a period of time and over six months before the limit increase, is enough for Capital One to think Mr M couldn't afford a credit limit of £450 on his income. And given his account with it had been well managed up to that point.

I can see that after May 2017, Mr M went on to encounter further problems with missed payments which resulted in defaulted accounts with other creditors. But this information wouldn't have been available to Capital One in May 2017 when the limit increase was applied.

Mr M has provided copies of his bank statements and other documents which he thinks would have made a difference if Capital One had checked them. But, as I have mentioned, a lender is required to do proportionate checks based on the amount of credit it was providing. Overall, I haven't seen enough to make me think Capital One should have been unduly concerned about Mr M's financial situation at the time the credit limit was increased to the extent that it needed to do more checks than it did. I think the checks it did were proportionate at the time.

Mr M has also provided extracts of the outcomes reached in other similar complaints – in particular, referring to a lender's responsibility to monitor customer accounts for signs of financial hardship and step in to offer support. And I can see that Mr M's account did go on to incur late payment and over limit fees – which potentially can indicate a consumer is having difficulty making repayments.

But I've seen from the customer contact notes Capital One recorded on Mr M's account that its monitoring systems did pick up that Mr M may have been experiencing a potential problem post May 2017. The notes show that Capital One emailed Mr M on more than one occasion with details of support on how to manage finances. The notes also indicate that it went on to offer Mr M a payment plan (which at the time he declined) and refunded some charges. So overall, I do think Capital One monitored Mr M's account and stepped in to offer support as I would expect it too.

Ultimately, I can see that a long-term payment plan was later agreed via Mr M's third-party representative. While this led to the account being defaulted, this meant Mr M's was able to pay less than his contractual payments and it prevented further interest and charges being accrued. So here, I think Capital One met its responsibility to treat Mr M sympathetically given his financial circumstances.

I understand that Mr M has had similar complaints about other lenders upheld. So, I realise that the outcome here isn't what he was hoping for. But the other complaints were about different types of lending and/or different amounts of credit which may have required those lenders to do more in depth checks.

I've considered this complaint on its own merits and individual circumstances. And for the reasons given, I won't be upholding this complaint or instructing Capital One to take any further actions at this time.

My final decision

Overall, I don't think Capital One did anything wrong when it increased Mr M's credit card limit. So, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 9 March 2022.

Sandra Greene
Ombudsman