

The complaint

Miss A complains that Capital One (Europe) plc was irresponsible in its lending to her.

What happened

Miss A was provided with Capital One credit card in July 2015. The initial limit was £200. There was one credit limit increase in June 2016 to £450. Miss A says that the credit card shouldn't have been provided. Miss A was also provided with a second credit card by Capital One but her complaint regarding that credit card was resolved and so this decision only relates to the credit card issued in July 2015.

Capital One partially upheld Miss A's complaint about the July 2015 credit card. In its final response letter, it said that the initial lending decision was taken more than six years before Miss A raised her complaint and so it didn't consider this aspect further. It accepted that the credit limit increase in June 2016 shouldn't have been provided. It offered to refund Miss A's interest and charges but didn't offer to amend her credit card.

Miss A thought that her credit file should be amended as the lending was irresponsible and so adverse credit information should be removed. She also said that the initial lending shouldn't have been provided as she had poor credit, including having a debt relief order. She said that further checks would have shown the lending to have been unaffordable.

Our investigator received information from Miss A to show the complaint was raised within three years of Miss A becoming aware of her cause for complaint. Capital One accepted this. Our investigator therefore considered the initial lending decision as well as the credit limit increase. She thought the checks carried out before the credit card was provided didn't show the lending to be unaffordable. She noted that Capital One had upheld Miss A's complaint about the credit limit increase but thought additional to the offer to refund interest and charges arising as a result of the credit limit increase, once the balance had been cleared, the adverse information should be removed from Miss A's credit file.

Capital One agreed with our investigator's view. Miss A didn't. She reiterated that there was an outstanding debt relief order on her credit file when the credit card was provided and said this showed she didn't have the disposable income to afford the repayments.

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.

Capital One will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don't consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

As set out above, this decision relates only to Miss A's credit card account opened in July 2015.

Capital One accepted that the credit limit increase on Miss A's credit card shouldn't have been provided. The outstanding issues are whether Capital One undertook reasonable checks before the credit card was provided in July 2015, and whether these checks raised concerns that meant the credit card shouldn't have been provided. And whether the redress offered in response to its acknowledgement that the credit limit shouldn't have been increased is fair and reasonable.

Initial account opening

Before Capital One provided Miss A with a credit card it gathered information through its application process and carried out a credit check. There aren't a specific set of checks that a lender is required to undertake before providing credit, but the checks need to be proportionate. In this case the credit limit provided was £200 and so I think it was reasonable that Miss A was asked about her income and that the information received was relied on along with the information from the credit check.

I appreciate that Miss A feels more detailed checks should have taken place and I note her comments about her commitments at the time she applied for the credit card, but in this case, particularly considering the size of the credit limit, I think the checks were reasonable.

However, just because I think the checks were proportionate, it doesn't necessarily mean the lending was affordable. Therefore, I have considered what the information gathered showed. In this case the credit check showed that Miss A had defaulted accounts. However, these were historic, and the other information received didn't raise concerns. Miss A has explained and provided evidence that she also had a debt relief order in place at the time but as this wasn't shown in the credit results received by Capital One, I do not find I can say that it was aware of this. And as I don't think further checks were required, I therefore do not find that the credit information received raised concerns that meant the credit card shouldn't have been provided.

Miss A declared an annual income of £14,500 and said she was a student at the time. Based on this income I do not find that Capital One acted unreasonably by providing the credit card account with a £200 credit limit.

Redress

Capital One upheld Miss A's complaint about the June 2016 credit limit increase. It said interest and charges relating to this lending decision would be refunded along with statutory interest on overpayments. Following our investigator's recommendation Capital One also agreed that all adverse information would be removed from Miss A's credit file once the balance had been cleared. I find this reasonable.

Putting things right

Capital One accepted in its final response letter that it shouldn't have increased Miss A's credit limit to £450 and offered to refund interest and charges arising from this. It also, after our investigation, agreed to amend Miss A's credit file.

For clarity this means that Capital One should, in regard to the July 2015 credit card:

- Rework the account removing all interest and charges that have been applied to balances above £200.
- As I understand the rework results in a credit balance, this should be refunded to Miss A along with 8% simple interest per year* calculated from the date of each

overpayment to the date of settlement. Capital One should also remove all adverse information recorded after June 2016 regarding this account from Miss A's credit file.

*HM Revenue & Customs requires Capital One to deduct tax from any award of interest. It must give Miss A a certificate showing how much tax has been taken off if she asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

My final decision

My final decision is that Capital One (Europe) plc should take the actions set out above in resolution of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 6 December 2022.

Jane Archer
Ombudsman