

The complaint

Mr P complains that Capital One (Europe) plc ('Capital One') irresponsibly gave him a credit card limit increase and a new credit card account that he couldn't afford.

What happened

On 17 July 2015, Mr P opened a credit card account with Capital One with a credit limit of £200. The credit limit was raised to £450 on 26 November 2015 and to £950 on 7 October 2016.

On 21 November 2018, Mr P opened a second credit card account with Capital One with a credit limit of £500.

In 2022, Mr P complained to Capital One to say that the credit increase to £950 in October 2016 and the new credit card in November 2018 should not have been given to him because they weren't affordable and that Capital One ought to have made a better effort to understand his financial circumstances before providing increased levels of credit.

Our adjudicator didn't recommend the complaint be upheld. Mr P didn't agree. So, the complaint has been 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.

I've read and considered the whole file, but I'll confine my comments to what I think is relevant. If I don't comment on any specific point it's not because I've failed to consider it but because I don't think I need to comment on it in order to reach what I think is the right outcome in the wider context. My remit is to take an overview and decide what's fair "in the round".

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.

It's possible that Capital One could have made more searching enquiries in its checks before providing Mr P with credit. But even if that's true, I don't think better enquiries would have caused Capital One to think the credit it provided was unaffordable. I explain why I say that below.

The credit limit increase to £950.

Mr P's complaint is that Capital One made credit available that was unaffordable. Capital One has explained that it carried out a credit check using a credit agency to determine the

amount of credit it was able to offer. It also took notice of how the account was being managed by Mr P. In the 14 months before the credit limit increase Mr P had only one fee for being over limit and one for a late payment. In that time Mr P's payments were regularly over the minimum amount. So, there was insufficient in the way that Mr P was managing his account to put Capital One off giving him a credit increase.

Capital One's credit check didn't suggest Mr P was having sufficient issues with his other credit that they should avoid increasing his credit limit. It seemed to Capital One from the credit information they sourced that, at the point that the lending decision was made, Mr P was affording his existing credit. And so, Capital One were not put on notice of any reason not to agree the lending from that. And so, I don't think that the information that Capital One had at the time of the lending decision would have led them to feel they ought to make more searching enquiries of Mr P's expenditure.

From the full credit file that Mr P has provided us, I can see that Mr P had one late payment to a service account but that was nearly a year before the increase. And I can see that a loan provider had two late payments shortly before the credit increase. But I also notice that the account had been returned to good order at the time of the credit increase. So, it's not clear to me that fuller credit information would have lead Capital One to make a decision different to the one they made.

So, I don't think better enquiries would have caused Capital One to think the credit increase was unaffordable. In saying this I have also considered that the credit increase was modest and the monthly payments for that credit would have been relatively modest. Prior to the increase the account was being well managed. And Mr P told Capital One that he earned a good salary at the time the credit was provided. And I have not seen evidence of financial difficulties at those times to make me think that Capital One would have been put off providing a reasonably modest credit increase on the credit card.

The new credit card in 2018

Capital One has explained that it carried out a credit check using a credit agency to determine the amount of credit it was able to offer when offering the new credit card. It also took notice of how the account was being managed by Mr P. In the 22 months before the credit limit increase Mr P had only two fees for being over limit and no issues in the 10 months before the card was provided. In that time Mr P's payments were regularly over the minimum amount. So, there was insufficient in the way that Mr P was managing his account to put Capital One off giving him a new credit card.

Capital One's credit check didn't suggest Mr P was having sufficient issues with his other credit that they should avoid increasing his credit limit. It seemed to Capital One from the credit information they sourced that, at the point that the lending decision was made, Mr P was affording his existing credit. And so, Capital One were not put on notice of any reason not to agree the lending from that. And so, I don't think that the information that Capital One had at the time of the lending decision would have led them to feel they ought to make more searching enquiries of Mr P's expenditure.

And from the full credit file that Mr P has provided us, I can see that Mr P had an issue with only one provider in the twelve months before the credit card. Whilst there is a little disagreement between the credit agencies about the extent of the issues, they do say that at worst there were no issues with that loan provider in the six months before the credit card. And there were no issues with that loan after the credit card was issued until the loan was settled the following year. So, it's not clear to me that fuller credit information would have lead Capital One to make a decision different to the one they made.

So, I don't think better enquiries would have caused Capital One to think the credit increase was unaffordable. In saying this I have also considered that prior to the increase the account was being well managed. And Mr P told Capital One that he earned a good salary – an increase on the previous salary - at the time the credit was provided. And I have not seen evidence of financial difficulties at those times to make me think that Capital One would have been put off providing the new credit card. Neither have I seen an amount of existing credit that made the addition of the new credit card automatically irresponsible.

But, considering the amount of the total credit Capital One was providing, I think that Capital One could have made more searching enquiries into Mr P's income. I say this as the regulations suggest that they could have sought corroboration for the declared income. But had they sought clarification through payslips, I do not believe that what they would have seen anything that would have made the new potential lending seem unreasonable.

Mr P thinks that Capital One should have checked his bank statements at the time of the lending decisions. Mr P thinks that had Capital One done so, they would have seen evidence of gambling activity on the account and of short-term lending. I don't think Capital One were required to, nor would it have been proportionate to, review Mr P's bank statements.

Mr P has explained that he had a gambling habit at the time, which was the prime cause of his existing borrowings, some of which were short term lending. But Mr P had not told Capital One about the gambling habit. And, as discussed above, the gambling habit had not led Mr P to blemish his credit file such that Capital One were on notice to make more searching enquiries about Mr P's expenditure.

I have to look at the information that was available to Capital One at the time it made its lending decisions and not to use hindsight. Capital One was not made aware of the gambling that affected Mr P at the time the lending decisions were made. And I have seen insufficient evidence that the other information that Capital One acquired or had presented to it at the time of the lending decision, would have led them to think that they were remiss in not checking Mr P's expenditure more closely.

So, having considered all the submissions made in this case, and in the absence of any extra evidence from Mr P to the contrary, I have seen insufficient evidence to think that more thorough affordability checks would have led Capital One to think that the credit it provided Mr P was unreasonable. Further, I'm not persuaded that what Capital One could see of his management of other credit ought to have prompted it to have acted differently than it did.

I know that Mr P will be disappointed with my decision, because he has put time and energy into his complaint, and because he has experience of having other complaints found in his favour. But each case is considered on the particular details and circumstances of that complaint. I want Mr P to know that I have noted all the submissions made in this case. Having done so, I have not found sufficient evidence to uphold this complaint.

My final decision

For the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 24 November 2022.

Douglas Sayers
Ombudsman

