

The complaint

Ms D complains that Capital One (Europe) plc lent irresponsibly when it increased the credit limit on her credit card. Ms D also complains that Capital One failed to monitor her account and provide support.

What happened

Ms D had an existing credit card with Capital One that had a credit limit of £1,500. In five months between May 2017 and June 2018 Ms D used her credit card for gambling purposes and was charged a cash handling fee by Capital One.

Capital One says it reviewed the information Ms D had given it about her circumstances in the original application she completed, her account use and information on her credit file and took the decision to increase the credit limit from £1,500 to £2,500 in July 2019.

Ms D continued to use her credit card. In April 2020 the rules businesses operate under changed which meant gambling transactions were no longer allowed using credit cards.

Last year, Ms D complained that Capital One had failed to monitor her account and take measures to help her as she was using the credit card for gambling purposes. Capital One issued a final response but explained it didn't police how customers used their accounts. Capital One added that it had withdrawn the ability to use its credit cards for gambling purposes in April 2020 in line with new regulations.

Ms D referred her complaint to this service and it was passed to an investigator. The investigator explained that due to time limits in our rules, the Financial Ombudsman Service could only look at Ms D's account going back to May 2017. That meant we couldn't look at the original application Ms D completed to open the credit card or how her account was operated before that point.

The investigator wasn't persuaded that Capital One had lent irresponsibly when it increased Ms D's credit limit in August 2019. And the investigator wasn't persuaded that Capital One had failed to monitor Ms D's account to protect her from financial harm.

Ms D asked to appeal, so her complaint has been passed to me to make a 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.

I'm aware I've summarised the events surrounding this complaint in less detail than the parties involved. No discourtesy is intended by my approach which reflects the informal nature of this service. I want to assure all parties I've read and considered everything on file. I'm satisfied I don't need to comment on every point raised to fairly reach my decision. And if I don't comment on something, it's not because I haven't considered it. It's because I've

focused on what I think are the key issues. My approach is in line with the rules we operate under.

As Ms D's complaint falls broadly into two parts, I'll deal with each in turn. I'm going to start by looking at Capital One's decision to increase Ms D's credit limit to £2,500 in August 2019. As the investigator advised, the time limits in our rules mean we aren't able to look at Capital One's original decision to lend.

Before agreeing to lend by increasing the credit limit, the rules say Capital One had to complete reasonable and proportionate checks to ensure Ms D could afford to repay the debt in a sustainable way. These affordability checks needed to be focused on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:

- The amount of credit;
- The total sum repayable and the size of regular repayments;
- The duration of the agreement;
- The costs of the credit; and
- The consumer's individual circumstances.

That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate. Lenders may choose to verify a borrower's income or obtain a more detailed picture of their circumstance by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.

In this case, Capital One has explained it held information on file from Ms D's original application that said she was employed with an income of £65,700. Capital One looked at Ms D's credit file and found she had a mortgage of £103,000 with monthly payments of £1,089. Capital One also found Ms D had around £27,050 of other unsecured debt. Capital One calculated Ms D's repayments to service her existing debt was around 12% of her net monthly income (about £455). After covering Ms D's mortgage and credit payments each month, Capital One says she was left with around £2,215 for regular outgoings and other expenses.

I think the investigator made a reasonable point when they highlighted Ms D's use of her credit card in the period before Capital One increased the credit limit. In the three months before the increase, Ms D's outstanding balance was below the credit limit and the account was being actively used. Ms D made payments considerably in excess of the minimum payments and I've not seen anything that would've highlighted to Capital One that she was experiencing difficulties.

Before taking the step of increasing Ms D's credit limit to £2,500 Capital One looked at her account history, information included in her original application, statistical information from the credit reference agencies and the details of her other debts via her credit file. Capital One calculated Ms D had sufficient surplus income to afford the increased payments to cover the new credit limit. I'm sorry to disappoint Ms D but I'm satisfied Capital One did carry out reasonable and proportionate checks of the type I'd expect to see before increasing her credit limit. I haven't been persuaded that Capital One lent irresponsibly.

Ms D also complained that Capital One failed to monitor her account or identify she was having difficulties with gambling. As our investigator said, we can only look back to May 2017. And whilst there are gambling transactions up to June 2018, the highest amount Ms D gambled was £175 in any one month. I haven't seen a level of gambling transactions on Ms

D's credit card statements that I would've expected Capital One to identify as a potential risk of financial harm.

The last gambling transaction I saw was in May 2018 and in April 2020 new regulations were introduced that stopped the use of credit cards for gambling purposes. But from 2021 there are payments made to businesses that were categorised as "gaming" by the merchants. I appreciate there may have actually been an element of gambling, but the way the merchants categorised those transactions wouldn't have shown that to Capital One when the payments were processed.

I've reviewed all Ms D's account statements going back to May 2017 but haven't seen anything that would've identified to Capital One that she was experiencing difficulties or at risk of financial harm.

I'm very sorry to disappoint Ms D but as I'm satisfied Capital One completed reasonable and proportionate checks before increasing the credit limit on her credit card, I haven't been persuaded it lent irresponsibly. And whilst I don't doubt what Ms D's told us about her circumstances, I haven't found information that indicates Capital One should've stepped in earlier or failed to actively monitor her account. As a result, I haven't found grounds to uphold Ms D's complaint about Capital One.

My final decision

My decision is that I don't uphold Ms D's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms D to accept or reject my decision before 29 February 2024.

Marco Manente
Ombudsman