

## The complaint

Miss M complains that the credit card she had from Capital One (Europe) plc was unaffordable to her.

## What happened

Miss M was approved for a credit card with Capital One in March 2020. The credit limit was then increased twice as follows:

<u>Date</u>	<u>Credit Limit</u>
7 Mar 2020	£1,000
30 Oct 2020	£1,250
31 Aug 2021	£1,500

Miss M says she was struggling to pay for her rent, bills and food at the time of the lending and her credit limit was increased without her situation being reassessed. She says she is now in financial hardship as a result.

Capital One says it asked Miss M about her employment, income and housing costs and checked her credit file. It says it used data from the Office of National Statistics (ONS) to estimate her other expenditure and found the new credit card was affordable to her. Capital One says it carried out similar checks for the limit increases, combined with a review of how Miss M was managing her account. In both cases it says the lending was appropriate and affordable.

Our investigator did not recommend the complaint should be upheld. She was satisfied that the checks carried out by Capital One when Miss M applied for the card, and at the first credit limit increase, were sufficient and showed the account was affordable to her. Our investigator considered Capital One should have carried out better checks for the second limit increase, but such checks showed no sign of financial difficulty and she found it likely this increase was also affordable at the time.

Miss M responded to say she'd like the case to be reviewed by an ombudsman.

## 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.

To assess the merits of the complaint, I need to take into account the relevant rules, guidance and good industry practice.

Bearing this in mind, in coming to a decision on Miss M's case, I have considered the following questions:

- Did Capital One complete reasonable and proportionate checks when assessing Miss M's application and credit limits to satisfy itself that she would be able to repay the credit in a sustainable way?
  - If not, what would reasonable and proportionate checks have shown Capital One?
- Did Capital One make fair lending decisions?
- Did Capital One act unfairly or unreasonably in some other way?

### Initial Application

When Miss M applied for the credit card, I've seen evidence to show Capital One checked her credit file and asked her about her income, personal circumstances and housing costs. These checks showed:

- Miss M was employed;
- She had no dependants;
- A declared income of £26,000 per year;
- Housing costs at £250 per month;
- Existing credit card debt of £1,461;
- A further £1,809 of debt;
- No adverse information on her credit file.

Based on the above checks, Miss M would have roughly £1,400 per month for living expenditure and other credit costs. So, I'm satisfied the checks were proportionate and the new card limit was affordable to her.

### First limit increase

Capital One increased Miss M's limit by a modest £250 in October 2020. Before doing so, it again checked her income and credit file and also considered how she'd managed her card to date. Miss M started using the card in May 2020 and regularly paid more than the minimum, including repaying the full balance in September 2020.

So, although Capital One's checks suggested Miss M's income had reduced, and her credit commitments were now slightly higher, there was no adverse information on her file, and I'm satisfied that the £1,250 limit was affordable to Miss M.

### Second limit increase

Capital One carried out the same checks again in August 2021, and although these showed a higher income and lower credit commitments, Miss M's credit file was now showing a late payment. She had also only been paying the minimum repayment since April 2021, although her credit card continued to be managed well.

Before increasing Miss M's limit again, I consider Capital One should have more fully understood Miss M's financial circumstances to ensure the late payment marker wasn't an indication of financial difficulties.

So, I've had a look at Miss M's bank statements from the time, as a reasonable proxy for what proportionate checks are likely to have shown Capital One.

In July 2021, Miss M had around £7,600 of income and £7,000 of expenditure, which left her account in credit of over £700. The following month, her income increased to over £19,000 with expenditure of just under £17,400, leaving a balance at the end of August 2021 of over £2,400.

Miss M has explained that she was self-employed at the time and her income was from various clients. She said she was also borrowing money from friends and family to help with hospital fees and funeral expenses for her late sister.

I understand this would have been a difficult time for Miss M and I was very sorry to hear of her loss, but I can't conclude that better checks would have indicated to Capital One that a further £250 increase to her credit limit was unaffordable.

So, in summary, I find Capital One made fair lending decisions and I can't see it acted unfairly or unreasonably in any other way. That said, I accept that Miss M's circumstances have now changed, so Capital One has an obligation to respond positively and sympathetically to any ongoing financial difficulties.

### **My final decision**

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 24 May 2024.

Amanda Williams  
**Ombudsman**