

## **The complaint**

Mr C complains that Capital One (Europe) Plc lent irresponsibly when it approved his credit card applications. Mr C also complains that Capital One increased the credit limit on one of his credit cards.

## **What happened**

Mr C first applied for a credit card with a limit of £200 with Capital One in August 2016. The account was closed in October 2018. Mr C applied for a second credit card in January 2017. A credit card with a limit of £1,500 was approved and later closed in June 2019.

In October 2018 Mr C successfully applied for another credit card, this time with a limit of £200. Capital One confirmed the account was closed in May 2020. An application was made for another credit card in January 2020 and it was approved by Capital One with a limit of £500. The account was closed in May 2020.

In August 2020 Mr C applied for a new credit card with Capital One. A credit limit of £250 was approved and Capital One went on to increase the credit limit to £450 in June 2022. The credit card was closed in September 2022.

A final credit card application was made in September 2021 and Capital One approved a credit limit of £500. In September 2022 Capital One emailed Mr C to confirm the account had been closed.

Last year, Mr C complained via a claims management company to Capital One and said it had lent irresponsibly when approving his credit card applications. Mr C's representatives pointed out that he had obtained other credit during this period.

Capital One issued a final response and provided details of the information Mr C had given in his applications and the sorts of checks it had completed before approving them. Capital One didn't agree it had failed to carry out the relevant checks and didn't uphold Mr C's complaint.

An investigator at this service looked at Mr C's complaint. They asked Mr C's representatives for information concerning the first two credit card applications Mr C made in 2016 and 2017 as Capital One had raised an objection to this service considering complaints about those accounts due to the time limits in our rules. The investigator ultimately explained that they were only going to comment on the credit card applications Mr C had made from October 2018 onwards.

The investigator thought Capital One had carried out reasonable and proportionate checks when considering the other applications Mr C made to Capital One and didn't agree it had lent irresponsibly. Mr C's representatives asked to appeal and pointed out his outstanding unsecured debt had increased over the period of borrowing with Capital One. As Mr C asked to appeal, his 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.

As our investigator explained, the focus of Mr C's case is on the credit cards he applied for in the six years before he complained. I note that in its response to the investigator, Mr C's representatives made no objection to the investigator's approach. My decision is going to follow a similar approach and I'm only going to comment on the applications Mr C made from October 2018 onwards.

Before agreeing to lend or increasing the credit limit, the rules say Capital One had to complete reasonable and proportionate checks to ensure Mr C 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 circumstances by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.

In October 2018 Mr C applied for a credit card with a limit of £200 with Capital One. In his application, Mr C said he was employed with an income of £24,500 and was a homeowner with a mortgage of £220 a month. Capital One carried out a credit search and found Mr C had unsecured debts that totalled around £3,000. Capital One says it didn't find any evidence of arrears or recent adverse credit and approved the credit card with a limit of £200. Mr C went on to use the credit card and repaid the outstanding balance in May 2020, closing the account.

I can see Capital One carried out a credit search and was aware of how much Mr C owed as well as the way his accounts had been handled. In addition, Mr C gave Capital One information about his circumstances, including income and residential status as well as his mortgage costs. I note that the credit limit being considered by Capital One was £200 which is modest. In my view, the nature and level of checks Capital One completed when considering Mr C's credit card application were reasonable and proportionate to the type and amount of credit being applied for. I haven't been persuaded that Capital One lent irresponsibly.

Mr C applied for a new credit card with Capital One in January 2020. In this application, Mr C said he was employed with an income of £24,500 and a homeowner with a mortgage of £220 a month. Capital One carried out a credit search and found Mr C had around £5,700 in unsecured debt and had a mortgage of £12,900 with repayments of £224 each month. I note that Capital One didn't find any evidence of missed payments or other adverse credit. And I'm satisfied that Capital One's lending criteria was applied which showed a credit limit of £500 was affordable.

In my view the credit limit for this credit card was reasonably low which meant there was a reduced risk of causing financial difficulties. I'm satisfied the decision to approve Mr C's application was reasonable and that Capital One carried out the relevant checks. I note that whilst Mr C used the credit card for a short time, it was closed in May 2020 with all payments being made on time and without issue.

Mr C completed another credit card application in August 2020, this time for £200. Again, Mr C confirmed his employment, income and residential arrangements. Capital One carried out a credit search. Capital One found Mr C owed around £8,750 and that there were no recent missed payments or adverse credit. Capital One's lending criteria was applied that showed Mr C was able to meet the necessary repayments for a credit card with a £200 credit limit. Given the amount and type of credit Mr C was applying for, I'm satisfied the checks Capital One carried out were reasonable and proportionate.

The credit limit was increased to £450 in June 2022. Capital One has confirmed it considered how the card had been handled by Mr C. I've looked at the statements and they show Mr C's account was administered well with payments being made on time. Mr C's account balance was generally well below the credit limit. Capital One has also provided evidence that shows it reviewed Mr C's credit file and took his existing debts into account. I'm sorry to disappoint Mr C but I'm satisfied Capital One carried out the relevant checks and that its decision to approve the credit limit increase in June 2022 was reasonably made.

I note that whilst Capital One increased the credit limit to £450, Mr C's balance was remained below the £200 original limit until the balance was repaid and account closed in September 2022. I haven't seen any evidence that shows the cost of the credit card unreasonably impacted Mr C's finances.

The final credit card application was made in September 2021 for £500. In this application, Mr C said he was employed with an income of £25,500 and had a mortgage of £220 a month. Capital One carried out a credit search to get an up to date picture off Mr C's finances. Capital One found Mr C owed around £11,500 in unsecured debt and had mortgage costs of £224 a month. I can see that, since 2018, Mr C's outstanding unsecured credit had increased. But I have to balance that against the reasonably modest credit limit of £500 being considered and Mr C's extensive record of obtaining and repaying credit cards with Capital One over the years without issue.

In my view, Capital One's decision to approve the credit card with a limit of £500 in September 2021 was reasonable based on what it knew about Mr C. I haven't been persuaded that Capital One lent irresponsibly when it approved Mr C's application in September 2021 or that it failed to complete the appropriate checks. I would add that looking at Mr C's account statements, they show his balance didn't exceed £200 despite having a credit limit of £500. And the credit card was repaid in full and closed a short time later, in September 2022.

I'm sorry to disappoint Mr C but I'm satisfied Capital One carried out reasonable and proportionate checks each time he made an application to lend and before it increased the credit limit. I haven't seen anything that shows Capital One lent irresponsibly or that by approving Mr C's applications it negatively impacted his circumstances overall. As a result, I haven't found grounds to uphold Mr C's complaint about Capital One.

### **My final decision**

My decision is that I don't uphold Mr C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or

reject my decision before 28 May 2024.

Marco Manente  
**Ombudsman**