

The complaint

Mr M complains that Capital One (Europe) plc was irresponsible in its lending to him. He wants all interest and charges he has paid refunded along with statutory interest and any adverse information recorded in regard to this account removed from his credit file.

What happened

Mr M had a Capital One credit card with a credit limit of £1,500. In July 2023, the credit limit was increased to £1,750. Mr M said that this credit limit increase shouldn't have happened as it wasn't affordable. He said he has needed to take out a loan to repay his credit card and this situation has caused him stress as he has worried about how to keep on top of the interest and charges.

Capital One issued a final response to Mr M not upholding his complaint. It said that it followed strict rules and regulations to complete creditworthiness checks before lending. It explained that it used information from the credit reference agencies, the consumer, third parties and internal data. It said that after Mr M's account was opened it increased the credit limit by £250 as it was allowed to do under the 'Variation' section of the credit card agreement. It said that following Mr M raising his concerns it had carried out a further review of its decision and it found the credit limit increase to be affordable.

Mr M wasn't satisfied with Capital One's response and referred his complaint to this service.

Our investigator thought that before the credit limit increase was offered Capital One should have completed new income and expenditure assessments. He looked at the information contained in Mr M's bank statements and found that had further checks taken place the lending would have appeared affordable. Our investigator noted Mr M's comment about his gambling but said that Capital One wasn't required to request copies of Mr M's bank statements and so he didn't think that the checks of Mr M's income and expenditure would have identified this. Therefore, he didn't uphold this complaint.

Mr M asked for his complaint to be escalated to 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.

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

Mr M opened a credit card account with Capital One and was provided with a credit limit of £1,500. His complaint is that this limit was increased to £1,750 in July 2023, as he says this was irresponsible. Capital One has explained that before the credit limit increase was offered, it used a combination of application form data and income estimates from the credit reference agencies to gain an income figure. It also carried out affordability and creditworthiness checks.

Mr M declared an annual income of £22,000 when he applied for the credit card in July 2022. I think it reasonable that this income amount would be checked before a credit limit increase was offered. I note Capital One's comment about using credit reference agency data to check this and, based on Mr M's bank statements, I can see that had further checks been undertaken these would have supported his declared income.

Capital One checked Mr M's credit information and had access to his data regarding how he had managed his account. Having looked at the credit check results, these reported no defaults in the previous 12 months and showed Mr M's credit commitments as up to date. It reported Mr M's card debt as £4,000 and his non-mortgage balance of £5,200. He had no active payday loans and no payday loans recorded as being opened in the previous 12 months. His account management didn't raise concerns as he hadn't incurred any overlimit or late fees and was making monthly payments towards the account that were above the minimum required. Given this I do not find that Mr M's credit data or account history raised concerns that further credit shouldn't have been provided.

I have assessed the affordability of the additional credit. Mr M's monthly net income was around £1,698 and he needed to make repayments towards his existing credit commitments as well as pay his general living costs. Mr M was living with family and made payments to his mother for rent. However, taking these into consideration, this would still leave Mr M with sufficient disposable income to cover the cost of the credit limit increase (increase of £250 would add around £12.50 to his monthly repayment costs). Therefore, I do not find that the credit limit increase should have been considered unaffordable.

Mr M has explained he was gambling at the time of the credit limit increase, and I can see this from his bank statements. But as I wouldn't expect Capital One to have requested copies of his bank statements before the credit limit increase was applied, and I have nothing to show that Mr M made it aware of this situation, I do not find I can say that Capital One should have been reasonably aware that Mr M was gambling and so I cannot say it was required to take this into consideration.

So, for the reasons set out above, I do not find I can uphold this complaint.

I've also considered whether Capital One acted unfairly or unreasonably in some other way given what Mr M has complained about, including whether its relationship with him might have been viewed as unfair by a court under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Capital One lent irresponsibly to Mr M or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 13 March 2025.

Jane Archer
Ombudsman