

The complaint

Mr M complains that Capital One (Europe) plc irresponsibly lent to him.

What happened

Mr M was approved for a Capital One credit card in January 2022 with a £1,000 credit limit. The credit limit was increased to £1,750 in December 2022. Mr M says that Capital One irresponsibly lent to him, and he made a complaint to Capital One, who did not uphold his complaint. Capital One said appropriate checks were made which were proportionate to the amount of credit being granted. Mr M brought his complaint to our service.

Our investigator did not uphold Mr M's complaint. He said that Capital One made fair lending decisions. Mr M asked for an ombudsman to review his complaint. He made a number of points. In summary, he said if Capital One asked him for proof of earnings there would have been a different outcome as he wasn't earning £30,000 as his company hadn't started trading yet, and it didn't end up trading. He said he was using other credit cards to fund his repayments to Capital One.

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.

Before agreeing to approve or increase the credit available to Mr M, Capital One needed to make proportionate checks to determine whether the credit was affordable and sustainable for him. There's no prescribed list of checks a lender should make. But the kind of things I expect lenders to consider include - but are not limited to: the type and amount of credit, the borrower's income and credit history, the amount and frequency of repayments, as well as the consumer's personal circumstances. I've listed below what checks Capital One have done and whether I'm persuaded these checks were proportionate.

Acceptance for the Capital One credit card

Capital One said they completed a credit check with a Credit Reference Agency (CRA) and they used information that Mr M had provided before approving his application. The information showed that Mr M declared he was self-employed, and he declared a gross annual income of £30,000.

It's not clear why Mr M declared he was already self-employed on his application and his gross annual income was declared as £30,000 when he's now told us his business hadn't started trading yet, so it would appear Mr M wasn't actually self-employed yet, albeit he may have been intending to start trading in his own business.

Although Mr M has said Capital One did not ask for proof of his earnings and look at his actual expenditure in their checks, they are not required to verify every applicant's income and expenditure. Here, Capital One used Office for National Statistics (ONS) expenditure for

Mr M, which is an acceptable industry standard way of estimating expenditure for a borrower.

But Capital One also used information from Mr M about his housing costs. Therefore, I'm satisfied that the affordability assessment was more personalised to Mr M's situation. They were also able to include information from the CRA about Mr M's credit commitments into the affordability calculation.

One of the CRA's Capital One used reported that Mr M had £4,354 of active unsecured debt. This would be around 14.5% of Mr M's declared gross annual income. The checks also showed that Mr M was not in arrears on any of his active accounts when the checks were made, and he hadn't been in arrears on any of his active accounts for the previous 12 months. There were no visible defaults or County Court Judgements (CCJ's) being reported by the CRA's that Capital One used.

The amount of credit which was approved (£1,000) would equate to around 3.3% of Mr M's declared gross annual income. Mr M was not utilising the majority of the credit available on his credit cards at the time of the checks, so this doesn't indicate he was reliant on credit, or financially struggling at the time of the checks. So Capital One would have no reason to doubt the income information Mr M told them.

So I'm persuaded that the checks Capital One carried out were proportionate for the amount of credit they approved for Mr M, and I'm persuaded they made a fair lending decision to approve the initial credit limit. It would not have been proportionate for Capital One to have made further checks such as verifying Mr M's income and outgoings or requesting his bank statements prior to increasing his credit limit here.

December 2022 credit limit increase - £1,000 to £1,750

I've looked at what checks Capital One completed as part of this lending decision. While there were no defaults showing from the CRA's there was a public record (such as a CCJ) being reported by one of the CRA's 69 months prior to these checks.

It may help to explain here that, while information like a CCJ on someone's credit file may often mean they're not granted further credit – they don't automatically mean that a lender won't offer borrowing. And therefore if this was showing as part of the original checks, I'm not persuaded it would have changed the outcome of the complaint as this would have been registered around 58 months before the initial lending decision. So I've looked at what Capital One's other checks showed to see if they made a fair lending decision here.

I did note that Mr M was late with one of his repayments to his Capital One account. But it appears that this was an oversight as this was the only time he was late prior to this credit limit increase. I can see that Capital One refunded the late fee, so this would usually occur when a borrower contacts the lender to let them know this was an oversight.

Mr M's existing credit card debt had increased to £5,600. But given the Capital One credit limit was originally for £1,000, I'm not persuaded the credit card balances had increased significantly for Capital One to make further checks. Especially as Mr M's active credit card outstanding balances weren't half of what his credit limits were shown to be in the initial checks. So it didn't appear that Mr M was relying on credit to pay credit. And although Mr M has said he used credit cards to meet his repayments for his Capital One credit card, his statements do not show the repayments came directly from another credit card provider.

The checks also showed that Mr M was not in arrears on any of his active accounts when the checks were made, and he hadn't been in arrears on any of his active accounts for the previous 12 months.

The amount of credit which was approved (£1,750) would equate to around 5.8% of Mr M's originally declared gross annual income. Capital One also used ONS expenditure for Mr M again. As Mr M had already declared his gross annual income as part of his application, in the same calendar year, I'm not persuaded that it would have been proportionate for Capital One to make further checks on his income (including verifying it) based on what their other checks showed.

So I'm persuaded that the checks Capital One carried out were proportionate for the amount of credit they approved for Mr M, and I'm persuaded they made a fair lending decision to approve the credit limit increase.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I can't conclude that 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. So it follows I don't require Capital One to do anything further.

My final decision

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 22 April 2025.

Gregory Sloanes
Ombudsman