

Complaint

Mr P has complained about a credit card Capital One (Europe) plc (“Capital One”) provided to him. He says that the credit card and the subsequent limit increase were unaffordable for him and therefore should never have been provided.

Background

Capital One provided Mr P with a credit card that had an initial limit of £1,000.00 in February 2019. Mr P’s credit limit was then increased to £1,500.00 in March 2020.

In August 2024, Mr complained that Capital One shouldn’t have provided him with his credit card or increased his credit limit. Capital One accepted Mr P’s complaint in part. It accepted that it shouldn’t have increased Mr P’s credit limit in March 2020. It agreed to reduce what Mr P owed by recrediting all of the extra interest, fees and charges it added on the extra credit Mr P shouldn’t have been provided with.

However, Capital One maintained that it didn’t do anything wrong when accepting Mr P’s initial application and so didn’t uphold this part of the complaint. Mr P remained dissatisfied at Capital One’s answer and referred his complaint to our service.

One of our investigators reviewed what Mr P and Capital One had told us. And she thought that what Capital One had already agreed to do to put things right for Mr P was fair and reasonable in all the circumstances, as she didn’t think that it had done anything wrong when it agreed to provide Mr P with the credit card.

Mr P disagreed with the investigator and asked for an ombudsman to look at the complaint.

As the parties agree that Mr P shouldn’t have been provided with the credit limit increase to £1,500.00, this decision is solely considering whether Capital One acted fairly and reasonably when agreeing to provide Mr P with a credit card in February 2019; and what if any effect this has on what now needs to be done to put things right.

My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

Having carefully considered everything, I’m satisfied that what Capital One has already done to put things right for Mr P is fair and reasonable in all the circumstances of his complaint and I’m therefore not requiring it to do anything more or anything further. I’ll now explain why in a little more detail.

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Mr P’s complaint.

Capital One needed to make sure it didn't lend irresponsibly. In practice, what this means is Capital One needed to carry out proportionate checks to be able to understand whether Mr P could afford to repay any credit it provided.

Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

Capital One says it initially agreed to Mr P's application after it obtained information on his income and carried out a credit search. And the information obtained indicated that Mr P would be able to make the relatively low monthly repayment due on this credit card.

On the other hand Mr P says that he was already in a difficult position and so should never have been provided with the credit card to begin with.

I've considered what the parties have said.

What's important to note is that Mr P was provided with a revolving credit facility rather than a loan. And this means that to begin with Capital One was required to understand whether a credit limit of £1,000.00 could be repaid within a reasonable period of time, rather than in one go. A credit limit of £1,000.00 didn't require especially large monthly payments in order to clear the full amount owed within a reasonable period of time.

I've seen records of the information Capital One obtained from Mr P about his income and what was on the credit search carried out. The credit search did show that Mr P had had previous difficulties with credit in the form of a defaulted account. However, was from around eighteen months prior to this application.

The credit search also showed that Mr P had some active credit at this stage. But this was for a low amount and these accounts were also relatively well maintained. I say relatively well maintained as Mr P had brought all of accounts up to date by the time of this application.

Capital One says that Mr P declared a salary of £26,000.00 a year and this combined with the credit file information meant that it was reasonable to conclude that Mr P could afford this credit card.

I accept that Mr P says his actual circumstances weren't reflected in the information that Capital One had. I note what he's said about his use of his overdraft and has also said that his circumstances should have been checked further. I'm sorry to hear that Mr P may have been struggling financially, that he found it difficult to make his card payments and he ended up defaulting on the card.

But Capital One could only make its decisions based on the information it had available at the time. And, at this stage of the lending relationship, I don't think proportionate checks would've extended into Capital One asking Mr P to provide evidence such as bank statements to verify what he was declaring. While I appreciate that Mr P may disagree with this, I don't think that the credit search showed that there may have been difficulties that needed further considering either.

As this is the case and the information Capital One did have suggested that Mr P could repay £1,000.00 within a reasonable period of time, I'm satisfied that it was fair and reasonable for Capital One to offer Mr P a credit card with a limit of £1,000.00.

I've also considered whether it would be fair and reasonable for Capital One to remove the default it has recorded against Mr P in light of the fact that it agrees that it shouldn't have increased Mr P's credit limit. But the reality here is that Mr P still has a balance left to repay, even though all of the extra interest, fees and Capital One added as a result of the limit increase have been removed.

Equally, if I were to require Capital One to remove the default and perhaps instead record an arrangement to pay, it could simply issue further notices of defaults and then default the account, if Mr P is late on or misses a single payment. This would result in the six years that a default could be recorded for starting again and in my view this would have a more detrimental impact on Mr P going forward.

I'm therefore satisfied it is fair and reasonable for the default to remain for, at least, the period Mr P has an outstanding balance. Capital One removing this information would require it recording information that doesn't reflect the position Mr P is in. In my view, recording such information would not only be inaccurate but it would also arguably be counterproductive and not in Mr P's interests or that of any future lender, as a future lender would not be able to take what Mr P owes Capital One into account in any decision on whether to lend to Mr P.

Should Mr P consider that it would be fair and reasonable for the default, or any other adverse information to be removed, if and when he repays the outstanding balance, this is a matter that he should take up with Capital One at that point.

In reaching my conclusions, I've also considered whether the lending relationship between Capital One and Mr P might have been unfair to Mr P under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I've not been persuaded that Capital One irresponsibly provided Mr P with the credit card to begin with, or otherwise treated him unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

Overall and having considered everything, while I can understand Mr P's sentiments and I'm sorry to hear about his situation, I don't think that Capital One treated Mr P unfairly or unreasonably when providing him with his credit card. It carried out proportionate checks and reasonably relied on the information provided which suggested that the credit card was affordable.

As this is the case, I'm satisfied that what Capital One has already agreed to do to put things right for Mr P is fair and reasonable in all the circumstances of this complaint and I'm not requiring it to do anything more, or anything further. I appreciate this will prove disappointing for Mr P. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

For the reasons I've explained, I'm satisfied that what Capital One (Europe) plc has already agreed to do to put things right for Mr P is fair and reasonable in the circumstances of his

complaint. I'm therefore not requiring it to do anything more or anything further and I'm not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 20 May 2025.

Jeshen Narayanan
Ombudsman