

## The complaint

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

## What happened

Mr C was approved for a Capital One credit card in March 2019 with a £500 credit limit. I have detailed the credit limit increases below:

March 2020	£500 to £1,500
January 2021	£1,500 to £2,000
June 2022	£2,000 to £3,000

Mr C says that he didn't agree to the credit limit increases, and if he had the option to refuse the credit limit increases, he would have done. Mr C says Capital One irresponsibly lent to him. Mr C raised a complaint with Capital One.

Capital One did not uphold Mr C's complaint. They said they believed that Mr C should've had enough remaining income to afford the repayments. They said the credit limit increases were optional. Mr C brought his complaint to our service.

Our investigator did not uphold Mr C's complaint. He said Capital One should have completed further checks from the second credit limit increase, but after reviewing Mr C's bank statements, he concluded that Capital One made fair lending decisions.

Mr C asked for an ombudsman to review his complaint. He made a number of points. In summary he said that he only ever received one communication from Capital One regarding one credit limit increase, which he declined. He said the Capital One account became unmanageable from the £3,000 credit limit and it got to a point where he was missing repayments. Mr C said the money his partner transferred to him which was showing on his bank statements was for things like petrol and food, but he paid all of the priority bills, as shown on his statements.

## 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.

Mr C has made a number of points to this service, and I've considered and read everything he's said and sent us. But, in line with this service's role as a quick and informal body I'll be focusing on the crux of his complaint in deciding what's fair and reasonable here.

Before agreeing to approve or increase the credit available to Mr C, 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 used data that Mr C had given them and information from Credit Reference Agencies (CRA's). Mr C declared that he was employed, and his gross annual income was £22,100.

A CRA that Capital One used reported that Mr C had previously defaulted on two accounts, with the last default being around October 2017. It may help to explain here that, while information like a default 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. So I've looked at what Capital One's other checks showed to see if they made a fair lending decision here.

A CRA reported that Mr C had outstanding active balances with third party companies of around £2,336. So, he would have had an active debt to gross annual income ratio of around 10.6%.

Mr C had no active accounts in arrears at the time of the checks, however, the checks show that Mr C had been in arrears on an unsecured loan at least for three months out of the previous five months (I say at least for three months as one month there is no data recorded for the loan). At one point Mr C was two months in arrears on the loan. So this could be a sign of financial difficulty as opposed to a one-off oversight. So I'm persuaded that Capital One should have completed further checks to ensure that repayments on a £500 credit limit would be affordable and sustainable for him.

There's no set way of how Capital One should have made further proportionate checks. One of the things they could have done was to contact Mr C to ask him why he had been in arrears frequently on an unsecured loan he had recently, and to ensure he could make sustainable and affordable repayments for a £500 credit limit. Or they could have asked for his bank statements as part of a proportionate check to ensure the lending was sustainable and affordable for him.

Mr C has forwarded our service statements for two bank accounts he held leading up to this lending decision. I am mindful that with the Capital One account being opened in March 2019 then it's unlikely he could have provided the statements he's forwarded our service to Capital One for March 2019 if they asked for them as part of a proportionate check, as these wouldn't have been produced yet, albeit he may have been able to send his transactions leading up to the acceptance of the Capital One account.

Mr C's statements show one account is constantly in an arranged overdraft. But being in an overdraft in itself is not a reason to say Capital One shouldn't have lent here, as an overdraft is a legitimate form of borrowing. Mr C did exceed his arranged overdraft, but on the same day he did this, he transferred money into the account to bring the account back into its arranged overdraft limit, so he did have access to money in another account.

Mr C's other bank account he forwarded us shows the account is generally well run. I couldn't locate any returned direct debits, and Mr C does not go overdrawn on this account during the timeframe I looked at.

The £500 credit limit would have been around 2.3% of Mr C's declared gross annual income. If Capital One would have requested Mr C's bank statements for the reasons I previously gave, then I'm persuaded that they still would have approved the £500 credit limit as repayments for this credit limit would appear to be affordable and sustainable for Mr C. So I

can't conclude they made an unfair lending decision here.

*March 2020 credit limit increase - £500 to £1,500*

The CRA reported that Mr C had not defaulted on any active accounts in the previous 12 months, and he wasn't in any arrears on his active accounts at the time of the checks for this lending decision. A CRA was reporting Mr C's non-mortgage external balances to be £1,900 at the time of the checks, so it looked like Mr C was able to reduce his debt since the Capital One card was opened.

Capital One would have also been able to see how Mr C managed his account since it had been opened. I can see that Mr C exceeded his credit limit around September 2019 by £6. This does appear to be an oversight. I say this because Mr C had made a transaction for £50 on 7 September 2019. He was within his credit limit after this transaction, but it doesn't look like he took into account the purchase interest he would be charged two days later for £10.42. So it was the interest which caused him to exceed his credit limit.

Mr C wasn't charged an overlimit fee, and I can see on his next statement there was a credit from the company who charged him £50, which may have been a reversal as it was backdated to 7 September 2019. So I'm not persuaded this should have resulted in Capital One completing further checks here.

Mr C made at least his minimum repayment each time, and there were no other occasions of him exceeding his credit limit prior to the credit limit increase to £1,500. So I'm persuaded that Capital One's checks were proportionate here, and they made a fair lending decision to increase the credit limit to £1,500.

I've considered what Mr C has said about not receiving communications regarding credit limit increases. I've viewed Capital One's system notes which show that at 19:34pm on 13 February 2020, he was sent a credit limit increase offer. Mr C would have had to opt out if he didn't want his credit limit to be increased to £1,500.

I've also viewed Mr C's credit agreement which he electronically signed in March 2019. This states *"We may from time to time change your credit limit. Where your credit limit is to be increased, and the increase is not made in response to a request by you, we will give you at least 30 days written notice. You may tell us during the period that you do not want to be given the increase. You may request us at any time to consider a change to your credit limit and/or tell us that you do not want your credit limit to be increased at all in the future."*

The system notes do not show that Mr C opted out of this credit limit offer. I've considered that it could be possible that this could have been received by Mr C into a junk mail folder, and he may not have viewed the email, however, if this did happen, I can't hold Capital One responsible for the actions of his email provider.

*January 2021 credit limit increase - £1,500 to £2,000*

Capital One's system notes show that for this credit limit increase Mr C had to opt in to have the increase. The notes show this credit limit offer was sent to Mr C in December 2020. The system notes show Mr C opted in to get the £2,000 credit limit at 8:18am on 8 January 2021. So I am persuaded Mr C opted in for this credit limit. There are no notes to show Mr C contacted Capital One to decline the increase either before or shortly after the credit limit increase was applied.

I've then looked at what checks Capital One completed prior to the credit limit increase. A CRA does report Mr C had been in arrears on an active account in the last six months. But

at the time of the checks Mr C had brought the account up to date. At the time of the checks Mr C had no active accounts in arrears.

Mr C did not incur any late or overlimit fees since the last lending decision. He also did not appear hungry for credit. I say this as his non-mortgage external borrowings were being reported by a CRA to be £1,200, which was £700 lower than at the last lending decision.

In addition to this, Mr C did not end any statement period when his credit limit was at £1,500 with a statement balance of more than £730.52. So he was using less than 50% of his Capital One credit limit throughout the time his credit limit was £1,500.

So for these reasons I'm persuaded Capital One's checks were proportionate, and they made a fair lending decision to increase the credit limit here.

#### *June 2022 credit limit increase - £2,000 to £3,000*

The system notes show that on 16 September 2021, Mr C declined a credit limit increase offer from Capital One, so it does appear that he received this offer – but there are no notes to suggest he opted out of any future credit limit offers. On 16 June 2022 at 7:44am, Mr C was sent another credit limit offer by Capital One.

Capital One have sent me a copy of this communication. The email was clear if they didn't hear from Mr C then the offer would expire, and his credit limit wouldn't change. At 16:33pm, the notes show Mr C opted into the credit limit increase offer. Capital One have also forwarded me communication addressed to Mr C dated 17 June 2022 informing him that his credit limit has been increased. It also says *"If you'd prefer a lower credit limit, we can change it for you. Just sign in to your online account and send us a secure message, or give us a call on"* and a telephone number was provided.

So I am persuaded that Mr C opted into the credit limit to £3,000. And there are no notes about any financial difficulty prior to the credit limit increase to £3,000.

Capital One's checks show that Mr C's non-mortgage external balances had risen to £2,200. This would have equated to around 10% of his originally declared gross annual income. So although Mr C's debt had risen, it wouldn't appear that he was overindebted.

While Mr C's credit limit was at £2,000, he had at one point cleared his outstanding balance on his Capital One credit card. While he previously had only paid the minimum repayment when his credit limit was lower than £2,000, Mr C made a number of debit card payments to his account since the last lending decision.

These include payments of £167 in January 2021 after his credit limit increase, a total of £579.03 on 21 February 2021, a total of £115.67 on 30 April 2021, £500 in May 2021, and £500 in June 2021.

Mr C did not incur any late or overlimit fees on his account since the last lending decision. He again was not utilising his full credit limit as the highest statement balance showing was £1,169.78 (around 54.5% of his credit limit).

Mr C had no active external accounts in arrears since the last lending decision, and he had no accounts in arrears for the six months prior to these checks.

So I'm persuaded that Capital One's checks were proportionate here and they made a fair lending decision to increase the credit limit.

I've considered what Mr C has said about the account becoming unmanageable from the £3,000 credit limit and it got to a point where he was missing repayments. I can empathise with what Mr C has told us here. But I'm not persuaded that this would have been foreseeable to Capital One prior to them increasing the credit limit to £3,000.

Mr C had never missed a repayment on his Capital One account prior to the credit limit being increased to £3,000. Mr C made at least his minimum repayment several months after his credit limit had been increased to £3,000. His last regular repayment was on 4 March 2023 – around nine months after his credit limit had been increased.

I've reviewed the system notes, and the first time it appears Mr C contacted Capital One about his financial difficulty was on 15 March 2023, again, around nine months after the credit limit was increased. So I'm not persuaded that Capital One would have been able to foresee Mr C's financial difficulty nine months after the credit limit increase to £3,000. I can see they applied a breathing space for Mr C, so I do think they applied forbearance here.

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 don't think Capital One lent irresponsibly to Mr C 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 that I won't be asking 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 C to accept or reject my decision before 7 August 2025.

Gregory Sloanes  
**Ombudsman**