

The complaint

Miss F complains that Capital One (Europe) plc lent irresponsibly when it approved her credit card application and later increased the credit limit.

What happened

Miss F applied for a Capital One credit card in September 2020. In her application, Miss F said she was earning £24,600 a year. Capital One carried out a credit search and found Miss F had a mortgage with monthly repayments of £420 a month. The credit search also found Miss F had other unsecured debts of around £13,400 spread across an unsecured loan, mail order account and overdraft. No adverse credit or recent defaults were found on Miss F's credit file. Some recent arrears on a mail order account were noted.

Capital One applied estimates for Miss F's general living expenses obtained from nationally recognised statistics to an affordability assessment, in addition to her other outgoings. Capital One went on to approve Miss F's application and issued a credit card with a limit of £200.

Miss F used her credit card and in June 2021 Capital One increased the credit limit to £800. The credit limit was increased again in March 2023 to £1,050. Capital One says that before increasing the credit limit it took Miss F's account history and credit file into account. Capital One also says it carried out new affordability assessments.

Last year, representatives acting on Miss F's behalf complained that Capital One lent irresponsibly and it issued a final response. Capital One said it had carried out the relevant lending checks before approving Miss F's application and increasing the credit limit and didn't agree it lent irresponsibly.

An investigator at this service looked at Miss F's complaint. They thought the checks completed by Capital One when considering Miss F's application and increasing the credit limit were reasonable and proportionate to the amount and type of borrowing it went on to approve. The investigator wasn't persuaded that Capital One lent irresponsibly and didn't uphold Miss F's complaint. Miss F's representatives didn't accept the investigator's view of her complaint so her case 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.

Before agreeing to lend or increasing the credit limit, the rules say Capital One had to complete reasonable and proportionate checks to ensure Miss F 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.

I've set out the information Capital One used when considering Miss F's application above. I can see Miss F gave Capital One details about her income and a credit search was completed to check her commitments. Whilst I can see Miss F had recently missed a mail order payment on her credit file, it was up to date at the point of application. And, overall, I'm satisfied Miss F's other commitments were well handled with no obvious signs of financial difficulty. I can also see Miss F's mortgage was found and taken into account by Capital One.

Given Miss F's annual income of £24,600, I'm satisfied she would've received around £1,700 a month after deductions. After taking Miss F's mortgage and credit commitments into account, she would've had around £850 a month available to cover her remaining living expenses and any other spending. In my view, that figure was sufficient to sustainably afford repayments to a new credit card with a limit of £200. I think Capital One completed reasonable and proportionate lending checks. And I'm satisfied the decision to approve Miss F's application was reasonable based on the information Capital One obtained.

Miss F's credit limit was increased to £800 in June 2021 and £1,050 in March 2023. I've looked at the information Capital One used before each credit limit increase. Miss F's account history shows it was well administered overall. There were no late or overlimit fees applied before the credit limit increase to £800. And whilst I can see some late fees in the year before Miss F's credit limit was increased to £1,050, her account was up to date in March 2023. Miss F's credit file showed her mortgage repayments remained up to date and that she owed £13,200 in June 2021 and £18,400 in March 2023 in other unsecured debts. No new adverse credit or defaults were noted on Miss F's credit file. And whilst I can see Miss F's unsecured debt level did increase over time, her monthly repayments were taken into account by Capital One when considering whether to lend.

I can also see that Capital One took Miss F's income into account and its confirmed revised affordability assessments were completed, taking into account her existing commitments and estimates for general living expenses. Whilst we haven't been given the specific estimate used by Capital One, I'm satisfied that even after covering Miss F's existing debts and mortgage she would've had funds available to sustainably afford repayments to credit limits of £800 and £1,050. Having considered all the available information into account, I'm satisfied Capital One carried out proportionate lending checks and that its decisions to increase the credit limit to £800 in June 2021 and £1,050 in March 2023 were reasonable based on the information it obtained. I'm very sorry to disappoint Miss F but I haven't been persuaded that Capital One lent irresponsibly.

I've considered whether the business acted unfairly or unreasonably in any other way including whether the relationship might have been unfair 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 Miss F or otherwise treated her unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

My final decision

My decision is that I don't uphold Miss F's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss F to accept or reject my decision before 6 August 2025.

Marco Manente
Ombudsman