

The complaint

Miss A complains that Capital One (Europe) plc (Capital One) irresponsibly lent to her when they agreed to two credit cards accounts and a subsequent credit limit increase

What happened

In May 2021 Miss A applied for a credit card account with Capital One. Her application was successful and Capital One applied a credit limit of £300. In August 2021 Capital One approved a credit limit increase to £550. In March 2022 Miss A applied for another credit card with Capital One. This again was successful and a credit limit of £400 was applied by Capital One. Miss A said she struggled to sustain her repayments and if Capital One had checked they would have seen her poor credit history. Miss A didn't think Capital One had carried out sufficient checks to make sure the lending was affordable for her. She complained to them.

Capital One said their checks were proportionate and reasonable. For both credit cards and the credit limit increase they'd used Miss A's application data, credit reference agency (CRA) data, and statistical data to assess Miss A's financial situation. Based on these checks they decided the lending should have been affordable for Miss A.

Miss A wasn't happy with Capital One's response and referred her complaint to us.

Our investigator agreed Capital One's checks had been proportionate and reasonable. And based on these they'd made a fair lending decision.

Miss A didn't agree and asked for an ombudsman to decide.

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.

I know my decision will be a disappointment for Miss A. But having done so I'm not upholding her complaint. I'll explain why.

I've considered the relevant rules, guidance and good industry practice when someone complains about irresponsible and/or unaffordable lending. There are two overarching questions I need to consider deciding what's fair and reasonable in all of the circumstances of the complaint. These are:

1. Did Capital One complete reasonable and proportionate checks to satisfy themselves that Miss A would be able to repay the credit in a sustainable way?

a. if so, did Capital One make a fair lending decision?

b. if not, would reasonable and proportionate checks have shown that Miss A could sustainably repay the borrowing?

2. Did Capital One act unfairly or unreasonably in some other way?

So, before agreeing to approve or increase the credit available to Miss A Capital One needed to make proportionate checks to determine whether the credit was affordable and sustainable for her. 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.

What's important to note is that Miss A was provided with a revolving credit facility rather than a loan. This means that Capital One was required to understand whether a credit limit of £300 could be repaid within a reasonable period, rather than all in one go. And a credit limit of £300 required relatively small monthly payments to clear the full amount owed within a reasonable period.

I've looked at what checks Capital One said they did when initially approving Miss A's application.

Capital One said they looked at information provided by CRA's and information that Miss A had provided before approving her application. They said they also considered Miss A's housing costs, and non-discretionary spending using statistical data.

The information showed that Miss A had no dependants, a declared gross annual salary of £28,700 and in full time employment. She'd three unsecured loans with monthly repayments of £150, £34 and £13 respectively. Miss A said she was a tenant with housing costs of £550 a month. Miss A also had utility payments, three current accounts and two communication accounts. Miss A's credit commitments including her overdraft show a total outstanding balance of £4,887. Capital One assessed Miss A's other outgoings using statistical data supplied by the Office for National Statistics which the guidance allows them to do.

Miss A didn't have any arrears on her active accounts. But she'd several defaults ranging from 2014 to 2019. But these were historic defaults and Miss A's credit file showed all but one of these had been settled, with a remaining outstanding balance of £271.

When entering into a regulated credit agreement for running account credit, Capital One should assume that Miss A would draw down the entire credit limit at the earliest opportunity and would be able to repay by equal instalments over a reasonable period. I'd expect that this would have seen Miss A have to pay around £15 a month. Given Miss A's income and credit history I think this should have been sustainable for her

I'm satisfied that the checks Capital One carried out here, prior to approving the initial £300 credit limit were proportionate. As these gave Capital One a good understanding of Miss A's income and credit commitments. And I haven't seen any signs of continued financial vulnerability. So, I think Capital One made a fair lending decision to approve Miss A's application.

I've looked at the information available to Capital One when they increased Miss A's credit limit by a further £250 to £550 in August 2021. Added to the information that Capital One had available to them from the CRA they also could see how Miss A managed her credit card account she'd with them. While Miss A was paying the minimum repayment on her credit card each month, there weren't any charges applied for missed payments or over the limit fees.

I'm satisfied that the checks Capital One carried out here, prior to approving the credit limit increase to £550 were proportionate. The increased limit would have meant Miss A would be

indebted by around a further £13 each month if she again drew down the full amount so a monthly repayment of around £30. Given her income and credit history I think this should have been sustainable for her. So, I'm satisfied Capital One made a fair lending decision to approve Miss A's credit limit increase to £550.

Miss A applied for a second credit card with Capital One in March 2022.

Capital One said they looked at information provided by CRA's and information that Miss A had provided before approving his application. They said they also considered Miss A's housing costs, and non-discretionary spending using statistical data.

The information showed that Miss A hadn't any dependents, a declared gross annual salary of £28,000 and in full time employment. She'd four unsecured loans with monthly repayments of £185, £134, £34 and £13 respectively. Miss A said she was a tenant with housing costs of £600 a month. Miss A also had a utility account, three current accounts, one communication account and her existing Capital One credit card. Miss A's credit commitments including her overdraft show a total outstanding balance of £14,725. The increase mainly due to an unsecured loan Miss A had recently taken out. Capital One assessed Miss A's other outgoings using statistical data supplied by the Office for National Statistics which the guidance allows them to do.

Miss A didn't have any arrears on her active accounts. No further defaults had been added to her credit history. And all her defaulted accounts were showing as settled with no outstanding balances.

Again, the assumption Capital One had to consider was that Miss A would draw down the entire credit limit at the earliest opportunity and would be able to repay by equal instalments over a reasonable period. I'd expect that this would have seen Miss A have to pay around £20 a month. Given Miss A's income and credit history I think this should have been sustainable for her.

I'm satisfied that the checks Capital One carried out here, prior to approving the £400 credit limit were proportionate. As these gave Capital One a good understanding of Miss A's income and credit commitments. And I haven't seen any signs of continued financial vulnerability. So, I think Capital One made a fair lending decision to approve Miss A's application.

Although I'm not upholding this complaint, I'd like to remind Capital One of their obligations to exercise forbearance if they intend to collect any outstanding balance remaining on the account and it's the case Miss A is experiencing financial difficulty.

I've also considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. But for the reasons I've already given, I don't think Capital One lent irresponsibly to Miss A or otherwise treated her unfairly. I haven't seen anything to suggest that s140A or anything else would, given the facts of this complaint, lead to a different outcome here

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 17 June 2025.

Anne Scarr
Ombudsman