

The complaint

Miss Y complains that Capital One (Europe) plc irresponsibly lent to her.

Miss Y is represented by a claims management company in bringing this complaint. But for ease of reading, I'll refer to any submission and comments they have made as being made by Miss Y herself.

What happened

Miss Y was approved for a Capital One credit card in January 2020 with a £750 credit limit. Capital One increased the credit limit to £1,000 in July 2022. Miss Y says that Capital One irresponsibly lent to her. Miss Y made a complaint to Capital One.

Capital One did not uphold Miss Ys' complaint. They said the lending decisions were fair, reasonable and affordable for her. Miss Y brought her complaint to our service. Our investigator did not uphold Miss Y's complaint. She said that Capital One made fair lending decisions.

Miss Y asked for an ombudsman to review her complaint. In summary she said she took out five loans within six months of the credit card being approved, she was using the majority of her available credit, she had a missed payment on the Capital One credit card prior to the credit limit increase, and she had £12,000 of unsecured debt.

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 Miss Y, 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. 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

I've looked at what checks Capital One said they did when initially approving Miss Y's credit card. I'll address the subsequent lending decision later on. Capital One said they looked at information provided by Credit Reference Agencies (CRA's) and information that Miss Y had provided before approving her application.

The information showed that Miss Y had declared a gross annual income of £28,000. The data from a CRA shows that Miss Y hadn't previously defaulted on any credit agreements.

Miss Y had active accounts showing from the CRA's, and the total amount of unsecured debt being reported by one of the CRA's was £14,646. Miss Y's debt to declared gross

annual income was just over 52%, but the CRA reported how much Miss Y was paying for her loans.

I've considered what Miss Y has said about her taking out a number of loans. I can see from the data that she took out two loans in the six months prior to the checks, but she had also settled two loans in the six months prior to the checks. Capital One used two CRA's for their data, and both of them show two loans being taken out in the six months prior to the Capital One lending checks.

The data showed Miss Y didn't have any active accounts in arrears at the time of the checks, and she didn't have any accounts in arrears for the 12 months prior to the checks.

So I'm persuaded that Capital One's checks were proportionate here, and they made a fair lending decision.

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

Miss Y had no new defaults being reported by the CRA's since her Capital One account had been opened and she wasn't in any arrears on her active accounts at the time the checks were completed for this lending decision.

The CRA hadn't reported how many accounts Miss Y opened since the Capital One credit card had been opened. But they did report that Miss Y had £11,000 of unsecured debt, which was lower than at the account opening stage. So it does appear that Miss Y was not only able to service her unsecured debt, but to reduce this also.

The CRA did report that Miss Y had been in arrears on one of her external accounts in the six months prior to this lending decision. This could be a sign of financial difficulty. But it also could have been an oversight. I say this because Miss Y had cleared the arrears by the time the checks were completed for this lending decision, and she had reduced her overall unsecured debt level, which I wouldn't have expected her to do if she was having financial difficulty prior to this lending decision.

Capital One would also be able to see how Miss Y managed her account since it had been opened. Miss Y incurred no overlimit or late fees in the 12 months prior to the credit limit increase. She did exceed her credit limit on one of her statements, which could be a sign of financial difficulty, or it could have been an oversight.

I'm persuaded that this was due to an oversight on this occasion. I say this because it appears Miss Y did not take into account purchase interest would be added to the account. So her purchases stayed within her credit limit, but when the interest was added this took Miss Y over her credit limit. Miss Y then made a repayment of £50 to bring her account back within the credit limit, and she didn't use any of the available credit in the following statement period. She was not charged for exceeding her credit limit here.

Since the account had been opened. Miss Y had made repayments which were larger than her minimum requested repayment, which I wouldn't expect her to be able to make if she was in financial difficulty prior to the credit limit increase, as she repaid £50 each month. This could suggest Miss Y had the affordability to be able to sustain affordable repayments for a £1,000 credit limit.

So I'm persuaded that the checks Capital One completed were proportionate for this lending decision. I'm persuaded that Capital One made a fair lending decision to increase the credit limit to £1,000.

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 Miss Y or otherwise treated her 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 Miss Y to accept or reject my decision before 30 September 2025.

Gregory Sloanes
Ombudsman