

The complaint

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

What happened

Miss O was approved for a Capital One credit card in July 2021 with a £500 credit limit. Capital One increased the credit limit to £750 in August 2023. The credit limit was increased again to £1,700 in July 2024. Miss O says that Capital One irresponsibly lent to her. Miss O made a complaint to Capital One.

Capital One did not uphold Miss O's complaint. They said the lending decisions were fair, reasonable and affordable for her. Miss O brought her complaint to our service.

Our investigator did not uphold Miss O's complaint. She said she believed Miss O could afford the repayments for the lending decisions. Miss O asked for an ombudsman to review her complaint. She said she had another irresponsible lending complaint with another credit card company, which was upheld, and she said the lending decision was around the same time as the Capital One lending.

Miss O said that during the Capital One lending decisions, she was deep in credit card debt and a lot of her essential spending was made using credit cards, therefore this wouldn't have been recorded on her bank statements. Miss O said she had to borrow money from her family to make repayments.

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.

Although Miss O has mentioned the outcome of a separate complaint about irresponsible lending she had with another provider, I must make her aware that I am only able to consider whether Capital One lent irresponsibly to her. This is because each complaint is judged on its own merits, and different lenders may complete different checks to another lender.

Before agreeing to approve or increase the credit available to Miss O, 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 O's credit card. I'll address the subsequent lending decisions later on. Capital One said they looked at information provided by Credit Reference Agencies (CRA's) and information that Miss O had

provided before approving her application.

The information showed that Miss O had declared a gross annual income of £18,500. She also declared she was a homeowner and her mortgage repayments (or contribution to the payment) was £215 a month. The data from a CRA shows that Miss O had defaulted on an account year's prior to the application.

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.

Miss O had active accounts showing from the CRA's, and the total amount of outstanding balances being reported by one of the CRA's was £21,693. So Miss O had a high debt to income ratio of around 117%. But I do note that the majority of this was a hire purchase agreement with over £17,000 outstanding. And Capital One had been able to see how much Miss O had been spending on her fixed credit agreements.

The data showed that Miss O had not been in arrears on any of her active accounts in the 12 months prior to this lending decision, and she wasn't currently in arrears on any of her active accounts.

The £500 credit limit would have been around 2.7% of Miss O's declared gross annual income. So I'm persuaded that Capital One's checks were proportionate here, and they made a fair lending decision.

August 2023 credit limit increase - £500 to £750

Miss O's active unsecured debt was being reported by a CRA to be £22,450, which was not significantly higher than at the account opening checks. A CRA that Capital One used for these lending decision checks showed Miss O had no County Court Judgements (CCJ's) registered on her credit file.

Miss O had no new defaults being reported by a CRA since her 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. But in the last six months she had an account which was three months in arrears at one point. So this could have been a sign of financial difficulty.

Capital One would have also been able to see how Miss O managed her account since it had been opened. Miss O incurred three late payment fees since her account had been opened. While Miss O did not incur any overlimit fees on the account since it was opened, it appears her statement balance exceeded her credit limit on at least four occasions prior to this credit limit increase. So I'm persuaded that Capital One should have completed further checks prior to increasing the credit limit.

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 Miss O to ask her why she had been late with repayments/exceeded her credit limit, and been in arrears on an external account recently. Or they could have asked for her bank statements as part of a proportionate check to ensure the lending was sustainable and affordable for her.

Miss O has provided her bank statements leading up to this lending decision. Miss O often utilises an overdraft on one of her accounts, but utilising an arranged overdraft in its own right does not mean additional borrowing would not be affordable and sustainable for Miss O.

I've considered what Miss O has said about her bank statements not displaying all of her outgoings. But as Miss O on her application told Capital One there was other household income, and the bank statements show funds going to a joint account which Miss O is named on, then it would be reasonable for Capital One to believe that Miss O wouldn't need to pay all of the outgoings, and that some of the household outgoings would be shared/paid by another member of the household. So it wouldn't have been proportionate for Capital One to request other bank or credit card statements from Miss O here.

No direct debits were returned during the three month period I viewed, and Miss O did not exceed her arranged overdraft limit. So if Capital One would have viewed Miss O's bank statements as part of a proportionate check, then I'm persuaded that they would have increased the credit limit by £250 to £750, and it would appear that Miss O had a sufficient disposable income to meet the repayments for this lending decision. So I'm persuaded that Capital One made a fair lending decision here.

July 2024 credit limit increase £750 to £1,700

Miss O's active unsecured debt was being reported by a CRA to be £13,650, which was significantly lower than at the last lending decision checks. So it could appear that not only was Miss O able to service her debt, but had a larger disposable income than before to also reduce her debt. A CRA that Capital One used for these lending decision checks showed Miss O had no County Court Judgements (CCJ's) registered on her credit file.

Miss O had no new defaults being reported by a CRA since the last lending decision, she wasn't in any arrears on her active accounts at the time the checks were completed for this lending decision, and she didn't have any arrears on any active accounts since the six months prior to these checks.

Miss O incurred no late payment or overlimit fees since the last lending decision. There was one statement balance where Miss O exceeded her credit limit, but this appears to have been an oversight. I say this because it appears Miss O didn't take into consideration her purchase interest would be charged in December 2023. So while the transactions she made were within her credit limit, when the interest was charged to her account on 18 December 2023, this caused her to exceed her credit limit. But Miss O made repayments totalling £115 on her next statement period, and she didn't use the card for any new transactions in the following month.

So I wouldn't expect Miss O to be able to pay a total of £115 in a statement period when her minimum requested repayment was £40.70, if she was having any financial difficulty at this time, as the amount she paid was nearly treble what she was required to repay. Miss O paid at least £100 a month to her account every month after this, which would suggest that this amount was affordable and sustainable for Miss O.

So I'm persuaded that Capital One's checks were proportionate for this lending decision, and Capital One made a fair lending decision to increase the credit limit to £1,700.

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 can't conclude that Capital One lent irresponsibly to Miss O 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.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss O to accept or reject my decision before 9 October 2025.

Gregory Sloanes
Ombudsman