

The complaint

Miss S complains that Capital One (Europe) plc lent irresponsibly when it approved two credit card applications she made and increased the limit on one of the accounts.

What happened

Miss S applied for a Capital One credit card in November 2018. In her application, Miss S said she was living with her parents and employed with an annual income of £16,800. A credit search was completed that found Miss S owed £12 on an existing credit card. No other outstanding credit, adverse information, defaults or recent missed payments were found on Miss S' credit file. Capital One applied its lending criteria and completed an affordability assessment. Capital One approved Miss S' application and issued a credit card with a £750 limit.

Miss S used her credit card until May 2019 when the outstanding balance was repaid and account closed. Capital One wrote to Miss S to confirm the account had been closed.

Miss S applied for another Capital One credit card in June 2019. Miss S provided the same application information as previously supplied. A new credit search was completed that found Miss S had outstanding credit card debts totalling £1,149 in addition to an insurance agreement with an outstanding balance of £583 and monthly payments of £61. No new adverse credit, defaults or recent missed payments were found on Miss S' credit file. Capital One applied its lending criteria and completed an affordability assessment. Capital One approved Miss S' second application and issued a credit card with a limit of £200.

No transactions were completed on Miss S' new credit card until December 2021. Miss S then used the account, incurring some overlimit and late fees. In October 2023 Capital One increased the credit limit to £700. Before the credit limit increase, Capital One checked Miss S' credit file again and found she had outstanding debts of around £7,500 and default information.

From that point, Miss S only used her credit card lightly. Miss S used the account until February 2024 when the balance was repaid. Following the credit limit increase to £700, the highest outstanding balance following the credit limit increase was £105.40 in October 2023.

Earlier this year, Miss S complained that Capital One lent irresponsibly and it issued a final response. Capital One said it had carried out the relevant checks before approving Miss S' applications and increasing the credit limit and didn't agree it lent irresponsibly.

An investigator at this service looked at Miss S' complaint. They thought Capital One had completed reasonable and proportionate checks before deciding to lend to Miss S and increasing the credit limit. The investigator wasn't persuaded Capital One lent irresponsibly and didn't uphold Miss S' complaint.

Miss S asked to appeal and said Capital One had failed to verify the information provided in her applications or her circumstances before increasing the credit limit. Miss S also pointed out the default information on her credit file before the credit limit increase and that her other

debts had increased which she feels should've prompted Capital One to carry out more detailed lending checks. As Miss S asked to appeal her complaint 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 S 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'm going to look at each application Miss S made in turn. I've set out the information Capital One obtained when considering Miss S' first application above. I can see Miss S confirmed her income as £16,800 and that she was living with her parents. The credit search completed by Capital One returned information that showed Miss S owed £12 on a credit card but had no other outstanding balances at the time. No County Court Judgements, defaults or recent missed payments were noted on Miss S' credit file.

Capital One has explained it uses an affordability model that used estimates for Miss S' regular living expenses and outgoings. Capital One says that taking Miss S' income, credit file information and allowances for her regular outgoings her remaining income was sufficient to sustainably cover repayments to a new credit card with a £750 limit. I've reviewed the criteria used by Capital One and I'm satisfied that was a reasonable conclusion for it to reach. In my view, the information available to Capital One reasonably indicated Miss S had enough disposable income to sustainably afford the new credit card with a £750 limit. Overall, I'm satisfied Capital One completed reasonable and proportionate lending checks before approving Miss S' application. And I'm satisfied the decision to approve Miss S' application was reasonable based on the information Capital One obtained. I'm sorry to disappoint Miss S but I haven't been persuaded Capital One lent irresponsibly.

Miss S repaid the outstanding balance in May 2019 and Capital One wrote to her to confirm the account was closed. I understand Miss S says she doesn't recall reapplying, but I'm satisfied a new application was made in June 2019.

The second application contained the same information as the first. Capital One carried out a new credit search that showed no evidence of new adverse credit or recent missed payments. I can see Miss S' credit file shows she now owed £1,149 in unsecured credit card debt that Capital One calculated had monthly payments of £41. An insurance contract with an outstanding balance of £583 and monthly payments of £61 was also found. I'm satisfied

Capital One's credit search got a clear picture of how Miss S' credit was maintained. I haven't seen anything on Miss S' credit file that shows she was overcommitted or experiencing financial difficulties.

Capital One completed a new affordability assessment using estimates for Miss S' outgoings and the information from her credit file for her existing commitments. The new credit limit approved was £200. Capital One's affordability results indicated Miss S was able to sustainably afford repayments to a new credit card with a limit of £200. In my view, given Miss S' credit file information and application details, that was a reasonable conclusion to reach. And I think the fact the new credit limit of £200 was low so reduced the potential for financial harm to Miss S also needs to be considered.

In my view, Capital One completed reasonable and proportionate checks before approving the application in June 2019 and the decision to proceed was reasonable based on the information it obtained. I'm sorry to disappoint Miss S but I haven't been persuaded Capital One lent irresponsibly.

Miss S didn't use her new credit card until December 2021 which indicates she wasn't reliant on credit to make ends meet. I can see our investigator reached the view that Capital One lent responsibly when it increased Miss S' credit limit to £700 in October 2023. And, broadly speaking, I think the same. I can see Capital One continued to monitor Miss S' credit file and account use as well as carried out new affordability checks before deciding to proceed.

With the above being said, even if I were to agree Capital One lent irresponsibly when increasing the credit limit to £700, Miss S' balance never exceeded the original £200 credit limit after October 2023. As noted above, Miss S' outstanding statement balances were always below the original £200 credit limit from that point. And, as I've said above, I haven't been persuaded Capital One lent irresponsibly when it approved the £200 credit limit.

Even if I were to uphold Miss S' complaint and direct Capital One to refund the additional interest and charges applied to balances over the initial limit of £200, there would be no settlement due on the basis Miss S' balance didn't exceed that level after October 2023. The statement evidence shows Miss S cleared the outstanding balance by January 2024 and the credit card wasn't used again.

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 S 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.

I'm sorry to disappoint Miss S but for the reasons I've noted above I haven't been persuaded Capital One lent irresponsibly or treated her unfairly. As a result, I'm unable to uphold Miss S' complaint.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 13 October 2025.

Marco Manente
Ombudsman