DRN-5661160

Complaint

Mrs R has complained about a credit card Capital One (Europe) plc ("Capital One") provided to her. She says she shouldn't have been provided with a credit card or a limit increase.

Background

Capital One provided Mrs R with a credit card with an initial limit of £500 in November 2021. The credit limit was increased to £1,500.00 in December 2022.

One of our investigators reviewed what Mrs R and Capital One had told us. And she thought Capital One hadn't done anything wrong or treated Mrs R unfairly in relation to providing the credit card or increasing the credit limit. So she didn't recommend that Mrs R's complaint be upheld.

Mrs R disagreed and asked for an ombudsman to look at her complaint.

My findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Mrs R's complaint.

Having carefully considered everything, I've decided not to uphold Mrs R's complaint. I'll explain why in a little more detail.

Capital One needed to make sure it didn't lend irresponsibly. In practice, what this means is Capital One needed to carry out proportionate checks to be able to understand whether Mrs R could afford to repay any credit it provided.

Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

Capital One says it initially agreed to Mrs R's initial application for a credit card after it obtained information on her income and carried out a credit search. And the information obtained indicated that Mrs R would be able to make the monthly repayments due on a credit limit of £500. Capital One says that Mrs R was then offered a credit limit increase to £1,500.00 in December 2022 as the information it had suggested that Mrs R could afford the increased payments that would be required had the extra credit been used.

On the other hand, Mrs R says that she shouldn't have been lent to or had her credit limit increased.

I've considered what the parties have said.

What's important to note is that Mrs R was provided with a revolving credit facility rather than a loan. And this means that to start with Capital One was required to understand whether a credit limit of £500 could be repaid within a reasonable period of time, rather than all in one go. A credit limit of £500 required reasonable sized monthly payments, rather than the whole amount to be paid in one go, in order to clear the full amount owed within a reasonable period of time.

From the information provided, it looks like Mrs R declared that she was employed and earning £26,000.00 a year. I understand that Mrs R didn't have any significant adverse information such as defaulted accounts or county court judgments recorded against her at this stage.

In these circumstances, I don't think that it was unreasonable for Capital One to rely on what Mrs R said about her income, which had been cross-checked and what it had in relation to her expenditure. This is especially in light of the low monthly repayments that would be required to repay £500 within a reasonable period of time. Given this information also suggested that the repayments were affordable, I don't think that it was unreasonable for Capital One to have provided Mrs R with a credit card that had a limit of £500.

For the credit limit increase, it appears as though Capital One relied on Mrs R's account having been managed well in the year or so since her account had been opened. Furthermore, it appears to have relied on the fact that no significant adverse information had been recorded by any other lenders either.

I accept that Mrs R appears to be suggesting that her actual circumstances may not have been fully reflected either in the information Capital One had. For example, I note that Mrs R has said that she was on a reduced income as she was on maternity leave at the time the limit increase was offered. However, Mrs R did not tell Capital One this at the time. Mrs R might say that she wasn't asked whether her income had changed at the time of the limit increase.

Nonetheless, I understand that Mrs R's initial declaration of income may well have been continually cross checked against information from credit reference agencies on the amount of funds that were going into her main bank account each month. As there wasn't anything to indicate that Mrs R's total account credits had reduced to the extent that it would have been clear that Mrs R's income had changed, I don't think that Capital One had reason to suspect her income had reduced either. This is particularly as Mrs R was making monthly payments in excess of the minimum that she was required to make, on her existing limit too.

For the sake of completeness, I would also add that even if I were to accept that further checks were necessary, at the absolute most any such checks would only have gone as far as finding out more about Mrs R's regular living costs, rather than relying on estimates of this. And having considered the information provided I've not seen anything that clearly shows me that her committed and non-discretionary expenditure was significantly higher than I estimated it to be.

As this is the case, I'm not persuaded that Capital One carrying out further checks would have shown it that this the monthly payments that could be required as a result of this credit limit increase were unaffordable.

In reaching my conclusions, I've also considered whether the lending relationship between Capital One and Mrs R might have been unfair to Mrs R under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I've not been persuaded that Capital One irresponsibly lent to Mrs R or otherwise treated her unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

So overall while I'm sorry to hear that Mrs R found making her credit card payments a struggle, I don't think that Capital One treated Mrs R unfairly or unreasonably when providing her with her credit card or subsequently increasing her credit limit. And I'm not upholding Mrs R's complaint. I appreciate this will be very disappointing for Mrs R. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mrs R's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs R to accept or reject my decision before 1 October 2025.

Jeshen Narayanan
Ombudsman