DRN-5698275

The complaint

Mrs W complains that American Express Services Europe Limited ("Amex") irresponsibly gave her a credit card she couldn't afford to repay.

What happened

In August 2018, Mrs W applied for a credit card with Amex. She was given an initial credit limit of £6,500. The limit was increased twice, in January 2019 to £8,500 and in January 2021 to £16,500.

Mrs W complained to Amex in late 2024 about its decision to give her the credit card and the subsequent credit limit increases. She says she was in financial difficulty and could not afford the borrowing. However, Amex didn't agree it had acted unfairly when lending to her.

Our investigator didn't recommend the complaint be upheld. He didn't think that Amex had made an unfair lending decision when granting the credit card and increasing the limits.

Mrs W didn't agree, so the complaint has been passed to me for 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 granting credit to Mrs W, Amex needed to carry out checks to satisfy itself that the borrowing was likely to be affordable. There isn't a set list of evidence or questions that had to be asked, instead, the rules in place at the time of each lending decision required any checks to be proportionate. What this means in practice is that how detailed the affordability checks are could vary with each individual lending decision based on several factors. I think some of the key factors Amex needed to consider in Mrs W's case included (but weren't limited to): the size of the credit limit it was providing, the interest rate and Mrs W's circumstances.

Amex says that before opening the account and granting further credit limit increases, it asked Mrs W to declare her annual income and it completed a credit check. For the credit limit increases it additionally took into account how Mrs W had managed the Amex credit card account.

I've seen that when Mrs W applied for the credit card in August 2018, she declared an income of £110,000. Amex hasn't been able to provide the results of the credit checks it did at this time, but Mrs W has supplied us with a copy of her credit file which is dated November 2018. In the absence of the check Amex completed, I think I can place significant weight on the report Mrs W has provided as an indication of what Amex likely saw in its checks. Particularly because it is dated only a few months after the application for the credit card.

Mrs W has said she was in financial difficulty and had been borrowing substantially from payday loans as well as other types of credit. While I can see from her credit file that she had been borrowing significantly from payday lenders, as well as other credit, this was between 2014 and the middle of 2017. It seems Mrs W cleared all of her payday lending debts by June 2017 and there was no further borrowing of this nature between then and when she applied for the Amex credit card over a year later.

Further, I note that in April 2018, Mrs W cleared an outstanding loan balance of over £7,000 without seemingly borrowing that money from another lender. Her other historic defaulted debts which still had outstanding balances were also cleared or had small balances of less than £600 remaining by the time she applied for the credit card.

Mrs W's credit file showed that the only other open credit accounts she had when she applied for the Amex card were another credit card with a £2,000 credit limit, a mail order account with a credit limit of £700 and a current account. None of these accounts showed any clear signs of repayment difficulty.

Clearly, Amex ought to have seen that Mrs W had been relatively recently in financial difficulties. However, she also declared an annual income of over £100,000. This coupled with her significant reduction in unsecured credit over the previous 14 months (including that substantial repayment of £7,000 without needing external borrowing), arguably gave Amex some assurances about the affordability of a £6,500 credit limit for Mrs W. The available evidence from the checks Amex completed, showed that Mrs W's financial circumstances had significantly improved in the last 12 months.

It is debatable whether Amex ought to have completed more thorough checks on Mrs W's income and expenditure given the relatively recent history of financial difficulties. However, Mrs W has been unable to provide evidence of what her income or other expenditure was at the time. So even if I thought Amex needed to do more, I haven't seen anything that would persuade me to conclude the credit was unaffordable to Mrs W and therefore an unfair lending decision was made. The available evidence indicates her financial circumstances had substantially improved by August 2018 to the point that this credit limit was comfortably affordable to her.

I'm further persuaded that the initial credit limit was likely to be affordable having reviewed the account activity after it was opened. Mrs W was able to repay the balance in full every month up to and including January 2021, when the limit was increased for the second time. Most months, the balance she was repaying exceeded £2,000 and on one occasion was around £4,500. Having reviewed a later copy of a credit file she has provided, it appears she was able to do this without having to borrow extensively from other sources. I'm therefore persuaded that the initial lending decision was fair and that even if further checks had been completed, it is unlikely Amex ought to have reached a different lending decision.

With this in mind, I'm also satisfied that the first credit limit increase was affordable to her and that I don't think anything in the checks Amex did ought to have made it conclude otherwise. It doesn't appear Mrs W took out any further borrowing between the account opening and the first limit increase, and she had demonstrated that she could significantly and regularly overpay the minimum repayment without difficulty. I'm therefore satisfied that Amex didn't make an unfair lending decision when it increased her credit limit in January 2019.

The final credit limit increase was substantial and almost doubled the previous credit limit on the account. Amex's credit checks show that Mrs W now held a sizeable mortgage which had been taken out two months prior. She also had an additional credit card with a limit of £3,000 and an unsecured loan with an outstanding balance of around £2,500.

Amex could also see that (as I've already highlighted), she had repaid her Amex credit card balance in full every month since the account had been opened. In some months she had even paid more than the full statement balance. It appeared she had been able to do this without taking out any significant unsecured borrowing. Further, the very recent sizeable mortgage approval would also have provided additional assurances about Mrs W's ability to repay credit, especially when considering her income at the time which Amex had noted as £110,000 annually.

Overall, there was nothing in the checks Amex completed, especially when taking into account how she had maintained the Amex credit card since account opening that ought to have caused it any reasonable affordability concerns when increasing the limit a second time. Mrs W appeared to have a relatively low amount of unsecured credit (compared to her income), there was no recent adverse reporting on her credit file, her declared income was high, and she'd demonstrated a long history of substantial repayments towards the Amex card. I therefore don't think Amex needed to carry out more detailed checks and I'm satisfied that it made a fair lending decision from what it could see.

I note from Mrs W's credit file that it appears she began borrowing more significantly from other providers some time after that final limit increase. Therefore, if she is now in a position where she is struggling to make the repayments to Amex she should reach out to Amex in the first instance for help with her financial difficulties and arrange a suitable repayment plan for any outstanding balance if appropriate.

My final decision

For the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 3 October 2025.

Tero Hiltunen
Ombudsman