

The complaint

Mrs B complains that Capital One (Europe) plc lent irresponsibly when it approved her credit card application and later increased the credit limit. Mrs B also complains that Capital One treated her unfairly when she contacted it to advise she was experiencing mental health difficulties and was vulnerable.

What happened

Mrs B applied for a Capital One credit card in December 2020. In her application, Mrs B said she was employed with an annual income of £17,000 that Capital One calculated left her with £1,262 a month after deductions. Mrs B also said she was renting her home at £460 a month and had one dependant. Capital One carried out a credit search and found Mrs B had four other credit cards with a total credit limit of £11,250 and outstanding balances of £4,900. The credit file also showed Mrs B had a current account with a £400 overdraft limit that she was using with £395 outstanding. No adverse credit, defaults or recent missed payments were noted on Mrs B's credit file.

Capital One carried out an affordability assessment and took Mrs B's income, rent and existing debts into account. Capital One has explained that left Mrs B with sufficient disposable income to cover her essential living expenses and a new credit card with a limit of £200.

Mrs B used the Capital One credit card and in February 2022 the credit limit was increased to £450. A new credit search found Mrs B had other debts totalling £7,000. No new adverse credit, defaults or recent missed payments were found on Mrs B's credit file. Capital One completed another affordability assessment and says Mrs B had enough disposable income to be able to sustainably afford repayments to an increased credit limit of £450. The credit limit increase to £450 was approved and Mrs B went on to use the credit card.

In early December 2024 Mrs B contacted Capital One to complain about its lending decisions and explained she needed support. Mrs B told Capital One she was suffering with her mental health and vulnerable. Mrs B went on to raise another complaint in January 2025 when no response was received from Capital One despite advising she needed support.

Capital One ultimately agreed to provide some breathing space to Mrs B. Since then, Capital One has agreed further breathing space for Mrs B. Capital One issued a final response to Mrs B's complaint that it lent irresponsibly. Capital One said it had carried out the relevant lending checks before approving Mrs B's application and increasing the credit limit and didn't agree it lent irresponsibly. Capital One sent Mrs B another final response and apologised for the delay in responding to her request for support and offered Mrs B £50 for the distress and inconvenience caused.

An investigator at this service upheld Mrs B's complaint. They thought Capital One's affordability assessment showed Mrs B had insufficient income to be able to sustainably afford repayments to a new credit card and asked it to refund all interest, fees and charges applied. The investigator also asked Capital One to pay Mrs B £150 in recognition of the distress and inconvenience caused by the delay in acknowledging her request for support.

Capital One ultimately asked to appeal and said the lending data provided showed Mrs B's application successfully passed its lending checks and that it remained of the view it didn't lend irresponsibly. Mrs B confirmed she was willing to accept the settlement reached by the investigator. As Capital One asked to appeal, Mrs B's 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 Mrs B 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.

Capital One has provided details of its lending criteria and how it approaches affordability assessments. Capital One says it uses the borrower's declared income and makes deductions for their housing costs and existing credit commitments. Applying that to Mrs B's case, she had a monthly income of around £1,262 based on her declared income. Capital One took Mrs B's rent of £460 into account along with repayments to her existing debts calculated at 3.6% of the outstanding balance a month. Mrs B owed around £4,900 between four credit cards and an overdraft so her monthly repayments would've been calculated at £176 a month. After Mrs B's rent and existing debts were covered, she would've been left with around £625 a month. In addition, Capital One says it applies the minimum payment for the credit limit to affordability calculations based on borrowing the full credit limit which would've been around £7.60 in this case. Capital One's lending criteria says that if the remaining income is over £585 for customers with a dependent the new credit card would be deemed affordable. Here, Mrs B's remaining income was slightly over the required threshold.

Whilst I understand that Capital One's view is the credit limit of £200 was affordable for Mrs B, I think it's fair to say the affordability was only just over the minimum threshold required. And it appears to me Capital One used its minimum payment when considering the new credit card's repayments for affordability purposes. But Mrs B would've needed some additional income remaining to be able to sustainably afford repayments to clear the balance in a reasonable timeframe, in addition to her other credit cards. Whilst it's close, on balance, I haven't been persuaded the information provided shows the new credit card was affordable for Mrs B in the longer term of that she had sufficient income remaining to sustainably repay the outstanding balance or any emergency or unexpected expenses that may've arisen. Based on the information I've seen, I haven't been persuaded that Capital One lent responsibly to Mrs B so I'm going to uphold her complaint.

It follows that if I think Capital One lent irresponsibly when it approved Mrs B's application I think the same about the credit limit increase. As a result, I'm upholding Mrs B's complaint and directing Capital One to refund all interest, fees and charges applied since the date of approval.

I've also considered the delay in Capital One responding to Mrs B's request for support. As our investigator noted, Mrs B asked for help on 5 December 2024 but nothing was put in place until 31 January 2025. I agree that's too long and accept the delay caused Mrs B an unreasonable level of upset at an already difficult time when she was vulnerable. In my view, the £50 and fee refund offer Capital One made doesn't fairly reflect the level of distress and inconvenience caused. Whilst I'm pleased the fees were refunded, I think a figure of £150 more reasonably reflects the level of distress and inconvenience caused to Mrs B and is a fairer way to resolve her complaint. So I'm also awarding Mrs B £150 in addition to the refund of fees and charges I've already noted in recognition of the distress and inconvenience caused.

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, I'm satisfied the redress I have directed below results in fair compensation for Mrs B in the circumstances of her complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

My final decision

My decision is that I uphold Mrs B's complaint and direct Capital One (Europe) plc to settle as follows:

- Rework the account removing all interest, fees, charges, and insurances (not already refunded) that have been applied
- If the rework results in a credit balance, this should be refunded to Mrs B along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement. Capital One should also remove all adverse information regarding this account from Mrs B's credit file.
- Or, if after the rework there is still an outstanding balance, Capital One should arrange an affordable repayment plan with Mrs B for the remaining amount. Once Mrs B has cleared the balance, any adverse information in relation to the account should be removed from her credit file
- Pay Mrs B £150 for the distress and inconvenience caused

*HM Revenue & Customs requires Capital One to deduct tax from any award of interest. It must give Mrs B a certificate showing how much tax has been taken off if she asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 2 October 2025.

Marco Manente
Ombudsman