

The complaint

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

What happened

Miss M was approved for a Capital One credit card in March 2022, with a £500 credit limit. The credit limit was increased to £1,500 in December 2022. Miss M says that Capital One irresponsibly lent to her. Miss M made a complaint to Capital One, who did not uphold her complaint. They said they believed she should have had enough remaining income in order to afford the repayments. Miss M brought her complaint to our service.

Our investigator did not uphold Miss M's complaint. She said that Capital One's checks were proportionate, and they made fair lending decisions. Miss M asked for an ombudsman to review her complaint. She made a number of points. In summary, she said that at the time she applied for the account she was employed part time and Capital One never requested proof of her income or completed updated affordability assessments.

Miss M said that she has ongoing financial entrapment and distress due to the Capital One credit card, and her debts are now over £10,000. She said she received hardship bursaries due to her financial vulnerability. She told us about the severe mental and emotional harm the credit gave her. Miss M said that another lender approved a credit limit of £250 for her and never increased this, and other lenders upheld her irresponsible lending complaints, therefore Capital One were not acting in line with the rest of the industry. Miss M told us about her financial hardship in 2023 and 2024.

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.

Firstly, I'm aware that I've only summarised Miss M's complaint points. And I'm not going to respond to every single point made by her. No courtesy is intended by this. It simply reflects the informal nature of our service as a free alternative to the courts. If there's something I haven't mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual point to be able to reach what I think is a fair outcome.

I'd like to thank Miss M regarding the detailed information she's provided to our service regarding her personal circumstances, and her financial situation before and during the lending being approved. I won't be going into great detail about what Miss M has told us in this decision to protect her identity, but I can assure her that I've read everything that she's said and sent us.

I've considered what Miss M has said about another lender not increasing her credit limit above £250, and other lenders upholding her irresponsible lending complaints. But our service judges each complaint on its own merits, therefore I will only be focusing on the actions of Capital One here, and not the actions of any other lender.

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

The information showed that Miss M had declared a gross annual income of £17,000. It's not clear why Miss M told Capital One she earned £17,000 if she did not earn this, as this could be considered fraudulent. But in Miss M's defence, as she was a student, and her work hours could change each week, then this was likely an estimate of what she believed she would earn over the year. It would not be proportionate for Capital One to request proof of earnings from a borrower for each lending decision. And Capital One can do further checks without contacting Miss M.

This is what Capital One did here. They used information from the CRA, and they weren't able to verify a £17,000 income. So they used the lower income of £11,933 that they received from the CRA. So Capital One didn't just take Miss M's word for her income and completed a further check by using information from a CRA.

The data from a CRA shows that Miss M hadn't previously defaulted on any credit agreements. Miss M had active accounts showing from the CRA's, and the total amount of unsecured debt being reported by one of the CRA's was £151. Miss M also had two overdrafts available, but the CRA did not report any usage of these at the time of the checks

The data showed Miss M didn't have any active accounts in arrears at the time of the checks, and she didn't have any accounts in arrears for the 12 months prior to the checks. Capital One completed an affordability assessment for Miss M, using the lower income figure they received from the CRA. I have viewed Miss M's application, and she said there were no housing costs, but as she said she was living with parents, I don't find this to be unusual.

Capital One's affordability assessment suggested that Miss M would have the affordability to meet sustainable and affordable repayments for a £500 credit limit. So in the absence of there being any adverse credit information, her not appearing to be overindebted compared to the lower annual income Capital One used, and Capital One making a further check regarding the income declared (through the CRA), I'm not persuaded that it would have been proportionate for Capital One to have made further checks, as there were no signs of any financial vulnerability, and it wouldn't have been proportionate for the reasons I've already given.

So I'm persuaded that Capital One's checks were proportionate here, and they made a fair lending decision.

December 2022 credit limit increase - £500 to £1,500

I've reviewed Capital One's system notes to see if Miss M had notified Capital One regarding any changes in her circumstances since the credit card had been opened, as it would not be

foreseeable for Capital One that Miss M's circumstances would change soon after the application had been accepted. But I could not see that Miss M had contacted Capital One prior to this credit limit increase.

A CRA reported that Miss M's active unsecured debt (non-mortgage balances), was £1,600. This was higher than it was at the account opening stage, but it was not significantly higher as it would have been less than 10% of Miss M's originally declared gross annual income earlier that year.

Capital One did complete further income checks with a CRA though, who reported Miss M's income. This was again lower than the £17,000 Miss M originally declared as the CRA informed Capital One the income would be £13,000. The affordability assessment suggested that the repayments for a £1,500 credit limit would be affordable and sustainable for her.

Miss M had no new defaults being reported by the CRA's since her Capital One 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. The CRA didn't report that Miss M had been in arrears on any of her accounts in the six months prior to this lending decision. Capital One would also be able to see how Miss M managed her account since it had been opened. Miss M incurred no overlimit or late fees prior to the credit limit increase.

Miss M had made repayments which were larger than her minimum requested repayment in all but one of the months she was required to make a repayment prior to this lending decision, which I wouldn't expect her to be able to make if she was in financial difficulty prior to the credit limit increase. And the repayments weren't just over the required minimum repayments, they were for three figures each month (apart from one month where she did just pay her minimum repayment). This could suggest Miss M had the affordability to be able to sustain affordable repayments for a £1,500 credit limit.

So I'm persuaded that the checks Capital One completed were proportionate for this lending decision. I'm persuaded that Capital One made a fair lending decision to increase the credit limit to £1,500. As there was no adverse credit information, Miss M was consistently making much higher minimum repayments than she was required to, she was utilising less than 50% of her credit limit prior to the credit limit increase, and she managed her Capital One account well, then it wouldn't have been proportionate for Capital One to have asked Miss M for information such as her bank statements.

I've considered what Miss M has said about her financial hardship in 2023 and 2024. And I'm sorry to hear about this. But I can't fairly say that this would have been foreseeable to Capital One based on what the checks showed at the time of the lending decisions. I've also considered what Miss M has said about her level of current debt. As this is over £10,000, I can't fairly say that this would have been foreseeable to Capital One either when her non-mortgage balances were around £1,600 at the time of the credit limit increase.

I am empathetic to Miss M's current circumstances. And if she is currently financially struggling to make the repayments on her Capital One credit card I would suggest she contacts Capital One to explain her financial situation to them. They may want to complete an income and expenditure assessment before seeing what assistance (if any) they can provide to Miss M. And if they suggest any ways they can help Miss M then I would expect them to also to tell her what impact this would have on her credit file if she accepted anything they propose.

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 don't think Capital One lent irresponsibly to Miss M 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. So it follows that I won't be asking Capital One to do anything further.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 23 December 2025.

Gregory Sloanes
Ombudsman