

The complaint

Miss W complains that Capital One (Europe) plc lent irresponsibly when it approved her credit card application and later increased the limit.

What happened

Miss W applied for a Capital One credit card in August 2021. Miss W's told us that, at the time, she was a full time student in receipt of student loans. In her application, Miss W said she was working part time with an annual income of £8,000. Miss W also confirmed she was living with her parents with no rent payable.

Capital One completed a credit check and found no evidence of adverse information like County Court Judgements, defaults or arrears. No other outstanding credit was found on Miss W's credit file.

Capital One completed an affordability assessment using Miss W's income and an estimate for her general living expenses. As Miss W confirmed she was living with her parents without rent and no other debts were found on her credit file, no other deductions were made. Capital One approved Miss W's application and issued a credit card with a limit of £500.

Miss W used the credit card and Capital One increased the limit to £1,000 in July 2022, £1,750 in May 2023 and £2,000 in September 2024.

Miss W's explained she obtained a balance transfer credit card to repay the outstanding balance. Miss W says she then borrowed money from family to repay the balance in full.

More recently, Miss W complained that Capital One lent irresponsibly and it issued a final response. Capital One said it had carried out the relevant lending checks when approving Miss W's application and the first credit limit increase. But Capital One agreed it lent irresponsibly to Miss W when it approved the second and third credit limit increases. Capital One refunded all interest, fees and charges applied to balances over £1,000 from May 2023 onwards, totalling £534.56, and issued the funds via cheque.

An investigator at this service looked at Miss W's complaint. They thought Capital One had already agreed a fair settlement when responding to Miss W's complaint and didn't ask it to do anything else. Miss W asked to appeal so 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 W 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've set out the information that Miss W provided when applying to Capital One above. I know Miss W's explained she was in full time education at the time and reliant on student loans. But the application form said Miss W was employed part time with an income of £8,000. I haven't seen anything that would've led Capital One to query the information Miss W gave in her application or take the view she was a full time student. I note that Miss W also confirmed she was living with her parents with no rent in the application which was also taken into account by Capital One. In my view, Capital One reasonably used the information Miss W provided in her application when deciding whether to lend.

The credit search showed no adverse information and no other debts. In my view, that showed Miss W was in a stable financial position at the time. I haven't seen anything on the credit file results Capital One obtained that should've led it to decline Miss W's application or complete additional checks.

Capital One completed an affordability assessment using Miss W's income and an estimate for her general living expenses – an approach it's allowed to take under the relevant lending rules. Whilst I accept Miss W had a modest income, I think it's fair to note her outgoings were also reasonably low. In my view, the approach taken by Capital One was reasonable based on the information it obtained about Miss W.

I also think it's fair to note that the initial credit limit of £500 was low which reduced the potential for financial harm to Miss W. Taking all the available information into account, I'm satisfied Capital One completed proportionate checks before approving Miss W's application. And I'm satisfied the decision to issue a credit card with a £500 limit was reasonable based on the information Capital One obtained. I'm sorry to disappoint Miss W but I haven't been persuaded Capital One lent irresponsibly when it approved her application.

Capital One increased the credit limit to £1,000 in July 2022. I can see all Miss W's payments were made on time and her balance statement balance was consistently well below the £500 limit, the highest being £279.36 in May 2022. Miss W regularly cleared all or most of the balance each month and made payments in excess of the minimum required. I think the account history shows Miss W's credit card was well handled.

Capital One's shown it completed a new credit search and Miss W hadn't accrued any other debts by July 2022. Miss W's stated income of £8,000 was used in the lending assessment. But given Miss W's modest declared income and size of the credit limit increase, I think it could be argued a more detailed approach to the lending checks would've been reasonable. As a result, I've looked at Miss W's bank statements for the preceding three months.

Miss W's bank statements show she received a student loan payment of £2,715 in April 2022. Those funds were transferred into Miss W's main bank account and used for her day to day spending. I can also see other payments from family members being paid into Miss W's main bank account as well. Miss W's account retained a reasonable high credit balance between April and June 2022 with no evidence of returned payments or financial difficulties. No regular outgoings for items like rent, other debts or utilities were found on Miss W's bank statements. So whilst I accept Miss W wasn't working at this time, she was in receipt of regular income and had low outgoings in terms of her living expenses. Taking all the information on Miss W's bank statements into account, I think they show she was able to sustainably afford the credit limit increase taking it to £1,000 in July 2022. In my view, it's most likely better checks would've still led Capital One to approve the credit limit increase to £1,000 in July 2022 and I haven't been persuaded it lent irresponsibly.

I understand Miss W feels a three month review of her bank statements wouldn't have gone far enough to establish her circumstances. But I think a review of three months bank statements is sufficient to get a good picture of someone's circumstances and would've been proportionate to the £500 increase Capital One approved.

Capital One has already accepted it lent irresponsibly when it approved the second and third credit limit increases and refunded the additional interest Miss W paid as a result. As Capital One has already upheld this part of Miss W's complaint I don't need to make a finding on whether it lent irresponsibly. I would add that the settlement reached by Capital One was very much in line with this service's approach and what I would've told it to do.

I'm sorry to disappoint Miss W but for the reasons I've noted above I'm satisfied Capital One has already agreed a settlement that is fair and reasonable in all the circumstances. As a result, I'm not telling Capital One to take any further action.

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 already agreed results in fair compensation for Miss W 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 Capital One (Europe) plc has already agreed a settlement that is fair and reasonable in all the circumstances.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 12 February 2026.

Marco Manente
Ombudsman