

## **The complaint**

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

## **What happened**

Mrs C applied for a Capital One credit card in September 2020. In her application, Mrs C said she was employed with an annual income of £24,100 that Capital One calculated left her with around £1,647 a month net. Mrs C said she owned her home and Capital One has confirmed no mortgage was found on her credit file so took the view her property was owned outright.

A credit search was completed that found Mrs C had existing debts of around £9,000 with monthly repayments of £733. No adverse credit like County Court Judgements, IVAs, payday loans, defaults or recent missed payments were noted on Mrs C's credit file. Capital One completed an affordability assessment using Mrs C's credit commitments and estimates for her general living expenses. Capital One reached the view Mrs C had around £380 a month available after covering her committed outgoings. Capital One approved Mrs C's application and issued a credit card with a limit of £200.

Mrs C used her credit card and in August 2021 Capital One increased the limit to £800. Capital One says it checked Mrs C's credit file and account history and completed a new affordability assessment before increasing the limit.

Mrs C has explained that she's since suffered with serious health problems that have impacted her ability to work. More recently Mrs C complained that Capital One lent irresponsibly and it issued a final response. Capital One said it had carried out the relevant lending checks before approving Mrs C's application and increasing the limit and didn't agree it lent irresponsibly. Capital One added that Mrs C should contact it if repayments weren't affordable. Capital One also provided information about services and organisations that can provide support.

An investigator at this service looked at Mrs C's complaint. They thought Capital One had completed proportionate checks before approving Mrs C's application and increasing the limit. The investigator thought Capital One's decisions to lend were reasonable based on the information it obtained and wasn't persuaded it lent irresponsibly.

Mrs C asked to appeal and sent in her bank statements that showed she was gambling heavily and borrowing from other sources during the period in question. As Mrs C asked to appeal 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 Mrs C 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 Capital One used when considering Mrs C's application above. I can see Mrs C provided information about her circumstances including income and residential status. Capital One carried out a credit search and found Mrs C had outstanding debts of around £9,000 at the time. I can see no adverse credit was noted and there were no recent missed payments recorded. I'm satisfied that Capital One got an accurate picture of Mrs C's outstanding debts at the time and took the information on her credit file, including monthly repayments, into account when considering her application.

In addition to checking Mrs C's credit file Capital One used estimates from nationally recognised statistics in respect of her general living expenses – an approach it's allowed to take under the relevant lending rules. Capital One ultimately reached the position that Mrs C's disposable income was more than sufficient to cover repayments to a credit limit of £200. Overall, I'm satisfied that was a reasonable conclusion for Capital One to reach following proportionate checks.

I think it's fair to say the initial credit limit of £200 was low which reduced the risk of financial harm to Mrs C. In my view, Capital One completed reasonable and proportionate checks before approving Mrs C's application. And I'm satisfied the decision to issue a credit card with a limit of £200 was reasonable based on the information Capital One obtained. I'm sorry to disappoint Mrs C but I haven't been persuaded Capital One lent irresponsibly when it approved her application and issued a credit card with a limit of £200.

Before increasing the limit to £800 Capital One looked at Mrs C's account history. I've reviewed the account history and can see it was well maintained with no fees or charges applied. In the three months before the credit limit increase Mrs C's average balance was £154 against a limit of £200. And Mrs C wasn't simply making minimum payments, she was clearing the outstanding statement balance in full each month up to the credit limit increase.

Capital One also checked Mrs C's credit file and found her other debts came to around £8,500. No recent missed payments, adverse credit or defaults were noted on Mrs C's credit file. I'm satisfied Capital One checked Mrs C's credit file and took her existing repayments into account when considering whether to increase the limit.

Capital One has confirmed it also used a service provided by the credit reference agencies to verify Mrs C's income. Capital One says the information it obtained returned a higher income figure than given in Mrs C's application. But Capital One used the original income as

given in the application when considering the credit limit increase. I think that shows Capital One was taking a reasonably cautious approach to the credit limit increase.

A new affordability assessment was completed that showed Mrs C had a disposable income that was sufficient to sustainably cover repayments to an increased limit of £800. I've reviewed the information available to Capital One and I'm satisfied that was a reasonable conclusion to reach following proportionate checks. In my view, Capital One completed reasonable and proportionate checks before approving the credit limit increase to £800. And I'm satisfied the decision to increase Mrs C's limit was reasonable based on the information Capital One obtained. I'm very sorry to disappoint Mrs C but I haven't been persuaded Capital one lent irresponsibly when it increased her limit to £800.

I understand Mrs C has had to stop working due to serious health problems. When responding to Mrs C's complaint Capital One confirmed it had applied a breathing space period to her account. Capital One also asked Mrs C to make contact to discuss her situation if she was struggling with repayments. Capital One also provided details of services and organisations that provide assistance to consumers who're going through difficult times. In my view, Capital One has sign posted sources of assistance available to Mrs C which is reasonable in the circumstances. I haven't seen anything that shows Capital One treated Mrs C unfairly.

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, for the reasons I've already given, I don't think Capital One lent irresponsibly to Mrs C or otherwise treated her unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

### **My final decision**

My decision is that I don't uphold Mrs C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 15 January 2026.

Marco Manente  
**Ombudsman**