

The complaint

Mr H complains that Capital One (Europe) plc lent irresponsibly when it approved two credit card applications he made and increased the limits on both accounts.

What happened

Mr H applied for a Capital One credit card in December 2019 (card 1). In his application, Mr H gave an annual income of £30,000. Capital One used a service provided by the credit reference agencies to verify the income figure Mr H provided which returned a figure of £21,500 a year or £1,518 a month net. Mr H also said he was renting his home at £300 a month.

A credit search was completed that found Mr H had existing unsecured debts totalling £1,781 with monthly repayments of around £108. No recent adverse credit, defaults or recent missed payments were noted on Mr H's credit file.

Capital One completed an affordability assessment taking Mr H's income and regular outgoings into account. Capital One says Mr H had a disposable income of around £535 a month and approved his application, issuing a credit card with a limit of £200.

Mr H used card 1 and Capital One went on to increase the limit as follows:

Event	Date	Limit
App	Dec-19	£200
CLI1	Dec-20	£800
CLI2	Dec-23	£1,050

Mr H applied for a second Capital One credit card in January 2021 (card 2). In this application, Mr H gave an annual income of £28,000 that Capital One says was verified in the same way as when he applied for card 1. An annual figure of £27,325 was returned and a net monthly figure of £1,850 was used in the application. Again, Mr H confirmed he was renting at £300 a month.

A credit search found Mr H had outstanding debts totalling £1,376 with monthly repayments of £101. No adverse credit or recent missed payments were noted on Mr H's credit file.

A new affordability assessment was completed taking Mr H's income and regular outgoings into account. Capital One says Mr H's disposable income remained at around £535 a month and approved the application for card 2, issuing a credit card with a limit of £500.

Mr H used card 2 and Capital One went on to increase the limit as follows:

Event	Date	Limit
App	Jan-21	£500
CLI1	Dec-24	£1,250

More recently, Mr H 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 card 1 and the credit limit increases and didn't agree it lent irresponsibly. But Capital One noted Mr H had used card 1 for gambling less than two weeks before card 2 was approved. In the circumstances, Capital One agreed it shouldn't have approved card 2 and refunded all interest, fees and charges applied totalling £811.60.

An investigator at this service looked at Mr H's complaint. They thought Capital One had made a fair offer to settle Mr H's complaint and didn't ask it to do anything else. Mr H asked to appeal and said the information available to Capital One for both accounts should've caused it to seek further information before offering the final credit limit increase for card 1 in December 2023. Mr H noted he'd used card 1 for gambling purposes around three years earlier and that whilst no fees were applied, he was generally making the minimum payment each month. As Mr H didn't accept the investigator's view of his complaint his case 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 Mr H 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 the application for card 1 above. I can see Mr H gave his annual income as £30,000 and Capital One used a service provided by the credit reference agencies to help verify the information provided. The response returned £21,500 and a net monthly income of £1,518. Whilst lower than the figure provided in the application form, I'm satisfied Capital One was using a reasonable income figure for Mr H.

Mr H also gave details of his rent which was £300 and used by Capital One in its affordability assessment. The credit search found Mr H had reasonably low existing debts at the time totalling £1,781 and the monthly repayments were factored into Capital One's lending assessment. No recent adverse credit or missed payments were found and I haven't seen anything that would've indicated to Capital One Mr H was struggling at the time.

After completing an affordability assessment Capital One reached the view Mr H had a disposable income of around £535 a month and approved a credit card with a limit of £200. In my view, the level and nature of checks were reasonable and proportionate to the £200 credit limit Capital One approved. And I'm satisfied the decision to approve Mr H's application and issue a credit card with a limit of £200 was reasonable based on the information Capital One obtained. I haven't been persuaded Capital One lent irresponsibly when it approved Mr H's application for card 1.

The credit limit was increased to £800 in December 2020. By this point, Mr H had built a strong record with Capital One. The account statements show Mr H was consistently making payments well in excess of the minimum due most months. No late or overlimit fees were applied to Mr H's account.

A new credit search was completed that showed Mr H's unsecured debts stood at around £825, a reduction from the original application. No new adverse credit or recent missed payments were noted on Mr H's credit file. And I'm satisfied the cost of covering Mr H's monthly repayments was factored into Capital One's affordability review.

Capital One used the service provided by the credit reference agencies to verify Mr H's income and made allowances for rent, debt repayments and living expenses. Ultimately, Capital One found the increase of £600, taking the new limit to £800, was more than affordable for Mr H. I haven't seen anything in the lending data Capital One obtained that should've led to additional checks before approving the credit limit increase in December 2020. I think it's fair to say Mr H had a modest level of other unsecured debt, his account history with Capital One was strong and there was nothing in the lending information obtained that indicated he was struggling. In my view, Capital One completed proportionate checks and its decision to approve the credit limit increase to £800 on card 1 was reasonable based on the information it obtained. I haven't been persuaded Capital One lent irresponsibly.

The second credit limit increase was approved three years later in December 2023. I can see Mr H used card 1 shortly after the first credit limit increase was approved in December 2020. But there were no other gambling transactions on his credit card statements. I note there were payments to an online payment provider I'll refer to as P. And it may be that Mr H went on to use those funds to gamble. But payments to P can be made for a wide range of reasons and they aren't categorised as gambling by the merchant. So even accepting Mr H used his card 1 for gambling in late December 2020, I haven't been persuaded that was enough to say the credit limit increase approved in December 2023 wasn't reasonable.

The credit card statements show Mr H's account continued to be well handled overall. I can see Mr H maintained a balance close to the credit limit. But Mr H regularly made payments to reduce the balance in the preceding year. No overlimit or late fees were applied.

Mr H's credit file shows his debts had increased to around £8,264 by December 2023. No new adverse credit or recent missed payments were noted on Mr H's credit file. I'm satisfied Capital One took Mr H's credit file and existing debts into account when deciding whether to approve the credit limit increase to £1,050 in December 2023.

Capital One's income verification tool returned an annual income of £35,000 or net monthly income of £1,905 in December 2023. Capital One completed an affordability assessment looking at Mr H's regular income and outgoings and reached the view there were funds available to sustainably afford repayments to an increase of £250, taking the credit limit to £1,050.

In my view, the checks completed by Capital One were proportionate to the £250 credit limit

increase it went on to approve. I haven't seen anything that I think should've caused Capital One to consider additional lending checks before increasing the limit of card 1 to £1,050 in December 2023. Overall, I'm satisfied the checks Capital One completed showed Mr H was able to sustainably afford repayments to card 1 with a limit of £1,050. I'm sorry to disappoint Mr H but I haven't been persuaded Capital One lent irresponsibly in relation to card 1.

Capital One has already upheld Mr H's complaint about card 2 and refunded all interest, fees and charges applied from the date of approval. As the settlement is very much in line with what I would've told Capital One to do in the same circumstances, I'm satisfied it's dealt with Mr H's complaint fairly. As I'm satisfied Capital One has already agreed a settlement that is fair and reasonable in all the circumstances, I'm not telling it to do anything else.

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 Mr H or otherwise treated him 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 Mr H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 24 March 2026.

Marco Manente
Ombudsman