

Complaint

Miss D has complained that Capital One Europe plc (“Capital One”) irresponsibly provided a credit card as well and subsequent credit limit increases to her. She says that the credit card and limit increases were unaffordable and caused her continued financial difficulty as she struggled to make her payments, which affected her going forward.

Background

In July 2018, Capital One provided Miss D with a credit card, which had an initial credit limit of £400. Capital One subsequently offered limit increases to £1,400.00 in October 2019, £2,400.00 in July 2022 and finally £3,000.00 in March 2023.

In June 2025, Miss D complained saying that the credit card and the limit increases Capital One provided to her were unaffordable and caused her continued financial difficulty as she struggled to make her payments which affected her going forward.

Capital One accepted that it shouldn't have increased Miss D's credit limit to £3,000.00 in March 2023 and agreed to refund all of the extra interest added as a result of this limit increase. However, it didn't think that it had done anything wrong when initially accepting Miss D's application for a credit card or when offering the first two limit increases. So it partially upheld the complaint. Miss D remained dissatisfied and referred her complaint to our service.

When it provided its file of papers on Miss D's complaint, Capital One told us that it believed Miss D's complaint about its initial decision to provide her with a credit card was made too late. One of our investigators reviewed what Miss D and Capital One had told us. He thought that he hadn't seen enough to be persuaded that Capital One failed to act fairly and reasonably either when initially providing Miss D with her credit card, or the first two credit limit increases it did.

This meant that the investigator thought that what Capital One had already done to put things right for Miss D was fair and reasonable and so he didn't recommend that Miss D's complaint be upheld.

Miss D disagreed with the investigator's conclusions and asked for an ombudsman to look at her complaint.

My findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Basis for my consideration of this complaint

There are time limits for referring a complaint to the Financial Ombudsman Service. Capital One has argued that Miss D's complaint about its decision to accept her application for a credit card was made too late because she complained more than six years after it accepted

her application; as well as more than three years after she ought reasonably to have been aware of her cause to make this complaint.

Our investigator explained why it was reasonable to interpret the complaint as being one alleging that the relationship between her and Capital One was unfair to her as described in s140A of the Consumer Credit Act 1974 (“CCA”). He also explained why this complaint about an allegedly unfair lending relationship had been made in time.

Having carefully considered everything, I’ve decided not to uphold Miss D’s complaint. Given the reasons for this, I’m satisfied that whether Miss D’s complaint about the specific lending decisions was made in time or not has no impact on that outcome.

I’m also in agreement with the investigator that Miss D’s complaint should be considered more broadly than just Capital One’s lending decisions. I consider this to be the case as Miss D has not only complained about the respective decisions to lend but has also alleged that the repayments unfairly caused her continued financial difficulty as she struggled to make her payments which affected her going forward.

I’m therefore satisfied that Miss D’s complaint can therefore reasonably be interpreted as a complaint about the fairness of her relationship with Capital One. I acknowledge Capital One still doesn’t agree we can look at Miss D’s complaint, but given the outcome I have reached, I do not consider it necessary to make any further comment or reach any findings on these matters.

In deciding what is fair and reasonable in all the circumstances of Miss D’s case, I am required to take relevant law into account. As, for the reasons I’ve explained above, I’m satisfied that Miss D’s complaint can be reasonably interpreted as being about the fairness of her relationship with Capital One, relevant law in this case includes s140A, s140B and s140C of the CCA.

S140A says that a court may make an order under s140B if it determines that the relationship between the creditor (Capital One) and the debtor (Miss D), arising out of a credit agreement is unfair to the debtor because of one or more of the following, having regard to all matters it thinks relevant:

- any of the terms of the agreement;
- the way in which the creditor has exercised or enforced any of his rights under the agreement;
- any other thing done or not done by or on behalf of the creditor.

Case law shows that a court assesses whether a relationship is unfair at the date of the hearing, or if the credit relationship ended before then, at the date it ended. That assessment has to be performed having regard to the whole history of the relationship. S140B sets out the types of orders a court can make where a credit relationship is found to be unfair – these are wide powers, including reducing the amount owed or requiring a refund, or to do or not do any particular thing.

Given Miss D’s complaint, I therefore need to think about whether Capital One’s decision to lend to Miss D and increase her credit limits, or its later actions resulted in the lending relationship between Miss D and Capital One being unfair to Miss D, such that it ought to have acted to put right the unfairness – and if so whether it did enough to remove that unfairness.

Miss D’s relationship with Capital One is therefore likely to be unfair if it didn’t carry out reasonable enquiries into Miss D’s ability to repay in circumstances where doing so would

have revealed the credit card or limit increases to be irresponsible or unaffordable. And if this was the case, Capital One didn't then remove the unfairness this created somehow.

I've considered Miss D's complaint in this context.

Did Capital One act fairly and reasonably towards Miss D?

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Miss D's complaint.

Bearing in mind Miss D's response to our investigator, I think that it would be helpful for me to set out that we consider what a firm did to check whether any repayments to credit were affordable (asking it to evidence what it did) and then determine whether this was enough for the lender to have made a reasonable decision on whether to lend.

Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify that information – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low, the amount lent was high, or the information the lender had – such as a significantly impaired credit history – suggested the lender needed to know more about a prospective borrower's ability to repay.

That said, I think that it is important for me to explain that our website does not provide a set list of mandated checks that a lender is expected to carry out on every occasion. Indeed, the requirements have not and still do not mandate a list of checks that a lender should use. Any rules, guidance and good industry practice in place over the years has simply set out the types of things that a lender could do when considering whether to lend to a prospective borrower.

It is for a lender to decide which checks it wishes to carry out, although we can form a view on whether we think what was done was fair to the extent it allowed the lender to reasonably understand whether the borrower could make their payments. Furthermore, if we don't think that the lender did enough to establish whether the repayments that a prospective borrower might have to make were affordable, this doesn't on its own mean that a complaint should be upheld.

We would usually only go on to uphold a complaint in circumstances where we were able to recreate what reasonable checks are likely to have shown – typically using information from the consumer – and this clearly shows that the repayments in question were unaffordable.

Capital One's decision to provide Miss D with a credit card which had a credit limit of £400 in July 2018

Capital One says it initially agreed to Miss D's application after it obtained information on her income and carried out a credit search. And the information obtained indicated that Miss D would be able to make the monthly repayments due for this credit card. Due to Miss D's account being relatively well managed and the information present on the credit checks it carried out, Miss D was then subsequently offered her credit limit increases.

On the other hand, Miss D says that the credit card and the subsequent limit increases were unaffordable and caused ongoing hardship.

I've considered what the parties have said.

What's important to note is that Miss D was provided with a revolving credit facility rather than a loan. This means that to start with Capital One was required to understand whether a credit limit of £400 could be repaid within a reasonable period of time, rather than all in one go. And it's fair to say that a credit limit of £400 required low monthly payments in order to clear the full amount owed within a reasonable period of time.

I've seen records of the information Capital One obtained from Miss D about her income and what was on the credit search carried out. Capital One says that Miss D declared an annual salary of £17,000.00. Capital One's credit check also suggested that Miss D hadn't had any previous difficulties with credit – such as defaulted accounts or County Court Judgments (“CCJ”) – recorded against her either.

Capital One argues that the information that Miss D declared on her income combined with the credit file information meant that it was reasonable to conclude that Miss D could afford this credit card. Having reviewed the information obtained and bearing in mind the low monthly repayments required to clear a balance of £400 within a reasonable period of time, I'm in agreement with this conclusion.

As this is the case, I'm satisfied that it wasn't unfair for Capital One to offer Miss D a credit card with a limit of £400 in June 2018 and therefore there was no unfairness created at this stage.

Did Capital One carry out reasonable and proportionate checks before deciding to offer the first two credit limits increases to Miss D?

As I've explained in the background section of this decision, Capital One increased Miss D's credit limit to £1,400.00 in October 2019 and £2,400.00 in July 2022.

In considering whether it was fair and reasonable for Capital One to have offered these limit increases, I'm mindful that in the period between August 2018 (which was the month Miss D made her first payment on this account) and June 2022 (which was the month before Miss D was offered the second limit increase), Miss D made monthly payments that totalled almost £5,500.00. This was far more than Miss D simply making the minimum payment she was required to.

Furthermore, having looked at the result of Capital One's credit checks, I can't see that Miss D's indebtedness elsewhere was growing either. Indeed, it looks like she the total amount she owed had reduced in the period between the first limit increase and the second limit increase. Given Miss D was making payments far in excess of what she was contractually obliged to, I'm not persuaded by the argument that she was forced into borrowing elsewhere, in order to meet the commitments that she had to make on this card.

Bearing in mind Miss D managed to make payments totalling almost £5,500.00 in under four years, it is extremely difficult for me to say that Miss D's repayment record in itself didn't suggest that she could repay up to £2,400.00 within a reasonable period of time. This is important as Capital One was entitled to rely on Miss D's repayment record on this account when deciding whether to increase her credit limit.

In any event, and for the sake of completeness, I would also add that I'm not persuaded Capital One carrying out further checks would have led to it deciding against offering to increase Miss D's credit limit in October 2019 or July 2022. I say this because at the absolute most, it could be argued that Capital One ought to have found out more about Miss D's actual living costs, rather than assuming that Miss D would have sufficient funds left over to meet them.

However, I haven't been provided with anything that indicates that Miss D's committed non-credit related expenditure meant that she wouldn't be able to make the repayments that she could have had to make had she used the extra credit Capital One offered in October 2019 and July 2022. Equally, I also have to consider this in the context that the credit searches didn't show that Miss D's other credit was increasing exponentially either.

Overall, and based on the available evidence I don't find that Miss D's relationship with Capital One was unfair. I've not been persuaded that Capital One created unfairness in its relationship with Miss D by irresponsibly lending to her whether when initially agreeing to provide her with a credit card, or in respect of the first two limit increases.

Furthermore, any unfairness that may have been created by Capital One offering to increase Miss D's credit limit to £3,000.00 in March 2023 has since been removed as a result of Capital One refunding any interest, fees and charges that it added as a result of this limit increase. Based on what I've seen, I don't find Capital One treated Miss D unfairly in any other way either.

Overall and having considered everything, while I can understand Miss D's sentiments and appreciate why she remains unhappy, I'm satisfied that what Capital One has already done to put things right for Miss D is fair and reasonable in all the circumstances of the case. So I'm not requiring Capital One to do anything more or anything further and I'm not upholding this complaint. I appreciate this will be very disappointing for Miss D. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Miss D's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss D to accept or reject my decision before 16 March 2026.

Jeshen Narayanan
Ombudsman