

The complaint

Mr M complains that Capital One (Europe) plc trading as Capital One was irresponsible when it offered him a credit card and later increased his credit limit.

Mr M brought his complaint to us via a representative but I will refer to him throughout for simplicity.

What happened

Capital One opened a credit card account for Mr M in February 2020 in with a credit limit of £750. This type of credit was an open-ended or running account facility. Capital One subsequently increased Mr M's credit limit to £1,000 in April 2021.

Mr M complained to Capital One in early 2023 that the credit was unaffordable for him and led to him taking on more debt.

Capital One didn't uphold Mr M's complaint. It said that it used a variety of information to check that credit would be affordable for him including information he'd provided and information from the credit reference agencies. Its checks showed that the credit would be appropriate and affordable for him.

Mr M referred his complaint to us. Our investigator assessed the complaint but didn't recommend that it be upheld. They found that Capital One wasn't irresponsible to have opened the account for Mr M or later increased his limit.

Mr M didn't agree with this recommendation and asked for the complaint to come to an ombudsman to decide.

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.

I've also had regard to the regulator's rules and guidance on responsible lending (set out in its consumer credit handbook – CONC) which lenders, such as Capital One, need to abide by. Capital One will be aware of these, and our approach to this type of lending is set out on our website, so I won't refer to the regulations in detail here but will summarise them.

Before entering into a credit agreement, Capital One needed to check that Mr M could afford to repay the credit out of his usual means, within a reasonable period of time, without having to borrow further and without experiencing financial difficulty or other adverse consequences. The checks needed to be proportionate to the nature of the credit, for example the amount offered, and to Mr M's particular circumstances.

With this in mind, my considerations are did Capital One complete reasonable and proportionate checks when it first opened the account for Mr M and later when it increased his credit limit to satisfy itself that he would be able to repay the credit offered within a

reasonable period of time? If it didn't do this, what would reasonable and proportionate checks have shown and, ultimately, did Capital One make fair lending decisions?

Mr M told Capital One his salary was £20,000 (approximately £1,460 net a month) when he applied for the account. Capital One said that it looked at what Mr M said about his income and income estimates provided by the credit reference agencies and relied on the minimum value. Mr M said in his application form that his housing costs were £26 a month and Capital One used national statistical datasets to estimate his monthly living costs and calculated a total expenses figure of £426. This left Mr M with over £1,000 to meet any other costs and debt repayments, which Capital One recorded as a total of £9,835. It concluded that Mr M would be able to repay the credit along with his other usual commitments and debt repayments.

While I appreciate that Capital One may have sense-checked Mr M's income it doesn't seem to me that it actually verified the figure Mr M had provided. Mr M provided his bank statements to us and I can see from these that his income was slightly less than the figure Capital One relied on at about £1,375 on average in the months before the agreement began. So even if Capital One had gone further in its income checks I think it's likely it would have come to the same conclusion about the affordability of the credit for Mr M and so I can't say it was wrong to have proceeded with the information it had at the time.

When Capital One offered Mr M an increase on his credit limit from £750 to £1,000 it noted his existing debts as £6,900 and so it doesn't seem to me that his overall debt situation had changed for the worse. I've reviewed Mr M's Capital One account statement and can see that prior to the limit increase he sometimes made the minimum monthly payment, sometimes more and cleared his full account balance in September 2020. I don't think Mr M's use of his account indicated that he might have been having financial difficulties. I understand that Mr M's income remained around the same level and so, for the same reasons as before, I can't say that Capital One was irresponsible to have increased Mr M's available credit at this time.

I appreciate that this will be disappointing for Mr M but having reviewed everything I've concluded that Capital One wasn't irresponsible to open the account for him or to increase his limit later on and so I'm not upholding his complaint.

My final decision

For the reasons I've explained above I'm not upholding Mr M's complaint about Capital One (Europe) plc trading as Capital One and don't require it to pay him compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 30 October 2023.

Michelle Boundy
Ombudsman