

The complaint

Miss G complains that Capital One (Europe) plc irresponsibly gave her a credit card she couldn't afford.

What happened

Miss G applied for a credit card with Capital One in November 2020. She was given an initial credit limit of £200 which was later increased to £700 in November 2022.

In January 2023, Miss G complained to say Capital One shouldn't have given her the credit card or increased her limit in 2022. She said that had Capital One completed appropriate checks before lending it would have seen the credit was unaffordable.

Capital One didn't think it had acted unfairly. It said it had completed adequate checks which showed that Miss G had sufficient disposable income to afford the initial credit and the limit increase.

Our adjudicator didn't recommend the complaint be upheld. He thought Capital One had completed reasonable and proportionate affordability checks in these specific circumstances and that nothing in the checks indicated that Miss G would likely struggle to repay.

Miss G didn't agree, so the complaint has been passed to me for a final 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.

Prior to granting Miss G with credit, Capital One needed to check that it would be affordable and sustainable for her. There isn't a set list of checks it needed to complete. Instead, it needed to ensure the checks it did were proportionate to the circumstances of each lending decision. What is considered proportionate can therefore vary and in deciding what was proportionate, Capital One needed to take into account things such as (but not limited to): the amount and type of credit, the size of any reasonable regular repayments (see: CONC 5.2A.27R & 5.2A.28G within the Financial Conduct Authority's Handbook), the cost of credit and Miss G's circumstances.

As part of the application Miss G declared that she lived at home with her parents and earned £16,000 per year. Capital One were entitled to rely on the information Miss G supplied on the application unless it knew or ought to have known it was likely to be inaccurate. I haven't seen anything to make me think Capital One ought to have been concerned by what Miss G had declared.

Capital One says it also completed a credit check and used statistical data to estimate Miss G's expenditure. The credit check showed that Miss G had an existing hire purchase agreement with monthly repayments of £137 and a small loan of £327 with monthly repayments of £17. She also held a current account and two communications accounts. All

of those accounts were up to date with no repayment difficulties. Capital One could see that Miss G had experienced payment difficulty around four years earlier, but given how historic those issues were I don't think they ought to have caused any significant concern, particularly where it was proposing to give her a relatively low credit limit of £200.

Overall, I think Capital One completed reasonable and proportionate affordability checks before opening the credit card account. And I haven't seen anything within those checks that leads me to conclude it made an unfair lending decision.

The credit limit was increased to £700 around two years later. Capital One says it used information provided by a credit reference agency to help 'verify' whether Miss G's previous stated income of £16,000 was likely to be accurate. It says the credit reference agency confirmed that income was likely to be reliable.

Capital One also completed a new credit check at this time which showed that Miss G was still managing her existing credit facilities with no signs of difficulty. In the previous 12 months she had also maintained her Capital One credit card reasonably well, having made all repayments on time and in some months paying more than the minimum due. In total she had repaid almost double the amount of the minimum repayment expected in the preceding 12 months. Further, no additional fees or charges had been applied and there were no other concerning activities (such as large numbers of cash advances).

Based on what Capital One already knew about Miss G and the size of the overall credit limit it was proposing to give to her, I think the checks it did were reasonable and proportionate when it increased the limit in November 2022. Having considered what those checks showed, I'm satisfied that Capital One made a fair lending decision when it increased the credit limit. I therefore don't think it acted unfairly or unreasonably when providing Miss G with credit.

My final decision

For the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss G to accept or reject my decision before 11 September 2023.

Tero Hiltunen
Ombudsman