

The complaint

Mr W complains that American Express Services Europe Limited lent to him irresponsibly.

What happened

Mr W was approved for an American Express credit card in March 2008, and then three credit limit changes as follows:

<u>Date</u>	<u>Credit Limit</u>
March 2008	£2,400
July 2010	£2,900
August 2011	£2,200
June 2018	£5,500

Mr W says the credit card, and the unsolicited credit limit increases caused him to accrue debts that he is still repaying. He says he was at or near his credit card limit when the limits were increased and making little more than minimum repayments. Mr W says that American Express should have carried out credit checks as that would have shown he already had a high level of borrowing relative to his income. He adds that his physical and mental health have been affected by the associated stress combined with difficult family circumstances.

American Express said Mr W could have opted out of the automatic credit limit increases, or requested a decrease, at any time. It said it takes into consideration income, account management and other internal and external data before setting credit limits.

Our investigator recommended the complaint should be upheld in part. Although there was limited information available about the checks carried out by American Express between 2008 and 2010, he found it likely that proportionate checks would have shown the initial lending and first credit limit increase to be fair based on the available evidence. However, he said American Express should have had an understanding of Mr W's financial circumstances for the large credit limit increase in 2018. He was not satisfied that American Express's checks went far enough and that, had it carried out proportionate checks, it was likely to have found that further lending was unaffordable. He said that American Express should remove all interest and fees that have been applied to balances above £2,900 and remove all adverse information recorded after July 2018.

Mr W responded to say, in summary, that he'd like a refund of all interest charged after 2018 as American Express should have realised he was in financial difficulties and offered to freeze interest at that time. He added that the limit increase had had profound implications for his financial decisions in the longer term.

American Express accepted the investigator's view.

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.

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Account Opening and Credit Limit increase in July 2010

As both parties have accepted the investigator's findings on the affordability of the initial credit limit and first increase, I won't consider that element of Mr W's complaint further here.

Credit Limit increase in June 2018

As American Express has accepted the investigator's view with regard to the credit limit increase in June 2018, I won't consider the affordability aspect further here. I will, however, consider what Mr W has said about the interest payments from 2018 onwards.

Whilst I understand that Mr W was in financial difficulties in 2018, and further checks by American Express would have shown that, I don't find it's reasonable for all interest to be refunded from that time. I say that because:

- Credit limits up to £2,900 were found to be fair, so the interest was correctly applied based on the terms and conditions of the account;
- In the lead up to the credit limit increase in June 2018 there was no indication from Mr W's management of his American Express account, that the level of debt was unsustainable:
 - He consistently paid more than the minimum amount throughout 2017;
 - He cleared his account balance in July 2017;
 - From then until June 2018, any charges were repaid in full each month;
- Although I've seen evidence that Mr W requested an interest freeze on his account in 2016, neither he, nor American Express, has a record of any communication indicating financial difficulty in 2018;

In summary, I find American Express was irresponsible to have increased Mr W's credit limit above £2,900 when it did, but I can't see it acted unfairly or unreasonably in any other way.

My final decision

My decision is that I uphold this complaint in part. American Express Services Europe Limited should:

- Rework the account removing all interest and charges that have been applied on balances above £2,900;

- As the account is now closed, this should be refunded to Mr W along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement. American Express should also remove all adverse information regarding the account after June 2018 from Mr W's credit file;

*HM Revenue & Customs requires American Express to deduct tax from any award of interest. It must give Mr W a certificate showing how much tax has been taken off if he asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 19 January 2024.

Amanda Williams
Ombudsman