

## **The complaint**

Mr S complains that Capital One (Europe) plc ('Capital One') irresponsibly gave him two credit card facilities that he couldn't afford.

## **What happened**

In April 2016, Mr S applied for an Mastercard credit card account with Capital One. He was given an initial credit limit of £1500. The credit limit was never increased.

In April 2021, Mr S applied for a second Mastercard credit card account with Capital One. He was given an initial credit limit of £400. The credit limit was not increased.

In 2022, Mr S complained to Capital One to say that the accounts shouldn't have been opened for him because they weren't affordable.

Our adjudicator thought the credit provided on the first Mastercard was not unreasonable but thought the credit on the second Mastercard was not reasonable. Capital One agreed and has offered to calculate redress if Mr S agreed to this as a fair outcome. Mr S did not agree. So, the complaint passed to me 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 read and considered the whole file, but I'll confine my comments to what I think is relevant. If I don't comment on any specific point it's not because I've failed to consider it but because I don't think I need to comment on it in order to reach what I think is the right outcome in the wider context. My remit is to take an overview and decide what's fair "in the round".

Capital One will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don't consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

Our adjudicator's assessment provided a detailed account of all the increases and suspensions of credit, and they are summarised above. Neither party has called the specifics into question, so, I don't intend to cover them off here.

Our adjudicator thought the first Mastercard credit card, sold in 2016, was reasonable lending and thought the second Mastercard credit card, sold in 2021, was not reasonable lending. Capital One has already agreed to pay redress on that second Mastercard. Mr S is unhappy with that partial offer as he thinks both accounts were not reasonable lending. So, it is my job to see if I think Mr S is entitled to more redress than he has already been offered. So, I need say no more about the second Mastercard except to say that I agree that

outcome for that card. So, this decision will now focus on the provision of credit on the first Mastercard sold in 2016.

Having considered all the submissions made in this case, I don't think that Mr S is entitled to more than he has already been offered. I'll explain why I say that.

#### The Mastercard Account provided in 2016

Mr S's complaint is that Capital One made credit available that was unaffordable. Capital One has explained that it carried out a credit check using a credit reference agency to determine the amount of credit it was able to offer. It's possible that Capital One failed to make adequate checks before providing Mr S with credit. But even if that's true, I don't think better enquiries would have caused Capital One to think the credit in 2016 was unaffordable.

I say this because the initial credit limit was modest and the maximum monthly payments for that credit would have been relatively modest. And Mr S told Capital One that he was working and earning a good salary at that time. And whilst Mr S had some existing credit in 2016, this was not so substantial that it made any further credit unreasonable. Capital One found no recent defaults on Mr S's record. There had been two defaults prior to this, but these had occurred over three years prior to this lending decision. And there were no records of missed payments on any of the consumer's credit lines. So, I don't think a record like that would put off Capital One from providing the relatively modest credit it provided in 2016.

So, having considered all the submissions made in this case, and in the absence of any extra evidence from Mr S to the contrary, I have seen insufficient evidence to think that a more thorough affordability check would have led Capital One to think that the credit it provided Mr S was unreasonable in 2016.

But Capital One should put things right on Mr S's Mastercard account from 2021.

#### **Putting things right**

As I don't think Capital One ought to have opened the 2021 account, I don't think it's fair for it to be able to charge any interest or charges under the credit agreement. But I think Mr S should pay back the amounts he has borrowed. Therefore, Capital One should:

- Rework the account removing all interest and charges that have been applied.
- If the rework results in a credit balance, this should be refunded to Mr S along with 8% simple interest per year\* calculated from the date of each overpayment to the date of settlement. Capital One should also remove all adverse information regarding this account from Mr S's credit file.
- Or, if after the rework there is still an outstanding balance, Capital One should arrange an affordable repayment plan with Mr S for the remaining amount. Once Mr S has cleared the balance, any adverse information in relation to the account should be removed from his credit file.

\*HM Revenue & Customs requires Capital One to deduct tax from any award of interest. It must give Mr S a certificate showing how much tax has been taken off if he asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

I know that Mr S will be disappointed with my decision. But I want Mr S to know that I was sorry to hear about his personal difficulties and that I have considered all the submissions

made in this case. But having done so, I have not found sufficient evidence to uphold this complaint in its entirety.

### **My final decision**

For the reasons set out, I'm partially upholding Mr S's complaint. Capital One (Europe) plc should put things right in the way set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 13 July 2022.

Douglas Sayers  
**Ombudsman**