

The complaint

Ms S complains that Capital One (Europe) plc (“Capital One”) irresponsibly provided her with credit she couldn’t afford to repay.

What happened

Capital One approved a credit card application for Ms S in December 2018 and they provided a credit limit of £1,000. In April 2019 they approved a further credit card application for Ms S with a limit of £200.

Ms S says Capital One were wrong to provide credit as it wasn’t affordable for her.

Capital One disagree. They say that when they approved the credit card applications they reviewed Ms S’s credit file and found she was managing her credit commitments well. They said they didn’t see any signs of financial difficulty and that Ms S’s declared income and their statistical modelling of her likely expenditure suggested she had sufficient disposable income to sustainably afford repayments. They thought the information suggested the lending was affordable for Ms S.

Our adjudicator agreed but Ms S didn’t. She explained she had taken out a further credit card between her first and second application and that it should therefore have been clear to Capital One that she was struggling financially and couldn’t afford the credit they were advancing. She asked for a final decision by an ombudsman.

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.

Our approach to considering complaints about unaffordable and irresponsible lending is set out on our website. I’ve had this approach in mind when considering what’s fair and reasonable here.

I don’t think Capital One’s checks were reasonable and proportionate when either card was approved.

I say that because Ms S has explained she was in a debt management plan at the time of her applications and I can’t see from the information Capital One have provided, that they took that into account. I think that information should have been available in the credit file if their review of the credit file had been rigorous enough. The fact that Ms S was in a debt management plan was something that should have alerted Capital One to the possibility that Ms S was struggling financially, and, in those circumstances, I think they should have completed more detailed creditworthiness checks.

I can’t be sure exactly what Capital One would have found out if it had asked about Ms S’s expenditure. In the absence of anything else, I think it would be reasonable to place

significant weight on the information contained in Ms S's bank statements as to what would most likely have been disclosed.

I've reviewed bank statements leading up to both lending decisions. Ahead of the December 2018 application they show that Ms S's income was about £2,293 and her outgoings including payments for food, utility bills, rent, council tax and her debt management plan, were about £1,954. Ms S's disposable income was therefore about £338 and I think that was sufficient to afford sustainable repayments on the £1,000 credit limit even if the limit was fully utilised and the credit paid back over a reasonable period.

Before Ms S was approved for the second card her credit commitments had increased and her disposable income had reduced to about £240. She'd taken a new credit card out with a £500 limit but even if that card was fully utilised, and the credit paid back over a reasonable period, I think the relatively small amount of credit being advanced (£200) would still be sustainably affordable for Ms S.

Overall, I'm therefore not persuaded that Capital One were irresponsible when approving the credit card applications.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms S to accept or reject my decision before 1 November 2022.

Phillip McMahon
Ombudsman