

The complaint

Mr K complains that Capital One (Europe) plc lent to him irresponsibly when it approved two credit cards.

What happened

Mr K applied for a credit card with Capital One in July 2021. Capital One approved the application and gave Mr K a credit card with a credit limit of £200.

Mr K applied for a second credit card in April 2022. Capital One approved the application and gave Mr K a credit card with a credit limit of £400.

Mr K complained that Capital One had lent irresponsibly. He says he should never have been given credit facilities because of his mental health and gambling issues.

Our investigator looked at both credit cards but didn't think Capital One had lent irresponsibly.

Mr K 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.

Before agreeing to lend, the rules say that Capital One had to complete reasonable and proportionate checks to ensure Mr K could afford to repay the debt in a sustainable way. These affordability checks needed to be focussed on the borrower's circumstances. The nature of what's considered reasonable and proportionate will depend on various factors, including the cost of the credit, the total sum repayable, the amount of repayments and the consumers individual circumstances.

There's no set list of checks that a lender must complete. But lenders are required to consider the factors I've mentioned above when deciding what's reasonable and proportionate.

I've looked at the information gathered by Capital One when it carried out these checks.

Capital One Mastercard

Mr K stated in his application that he had an annual income of around £22,000 gross. He stated that he was living with his parents and that his housing costs were £300 per month.

Capital One used this information, as well as other information it obtained from Mr K's credit report, to assess whether the credit was affordable for Mr K.

The credit search carried out by Capital One shows that Mr K had another credit card with a balance of £277. He also had a mail order account with a balance of £100. The mail order

account was the subject of a payment plan.

I've thought about whether the payment plan should've alerted Capital One to the possibility that Mr K was experiencing financial difficulties. However, I don't think the payment plan of itself, when considered in the context of all the other financial information, was a reason for Capital One to decline the application for the credit card. This is because the mail order account had a low credit limit and would be seen as low risk, because the balance could be repaid within a reasonable timescale.

The credit search showed that Mr K had previously defaulted on an account. However, this default was over 12 months prior to the application for the credit card, so I don't think this was a reason for Capital One to decline the application.

Looking at all the financial information gathered by Capital One, and having regard to the low credit limit on the credit card, I'm satisfied that the checks carried out by Capital One were reasonable and proportionate, and that the decision to approve the application for the credit card was fair. I haven't seen anything in the information which would've given Capital One any cause for concern or warranted further checks. The information showed that the loan was likely to be affordable for Mr K.

Post Office Credit Card

Mr K stated in his application that he had an annual income of around £22,000 gross and that his housing costs were £300 per month.

The credit search carried out by Capital One shows that Mr K had two other credit cards. One had a balance of £187 and the other had a balance of £233. Neither of the accounts had any adverse information reported about them. The credit search didn't show any payments plans, defaults or county court judgments.

Based on what I've seen, I think Capital One carried out reasonable and proportionate checks before approving the application. There's nothing in the information gathered by Capital One to suggest that the credit wasn't affordable for Mr K. There was no adverse information on Mr K's credit file which would've given Capital One cause to think that he might be in financial difficulties. Mr K did have some other financial commitments but having taken these into account, this left sufficient disposable monthly income to repay the credit card, even if all of the available credit limit was utilised.

I've taken into account what Mr K has said about his mental health and gambling issues. I'm sorry to hear about these circumstances. However, I haven't seen anything to indicate that Capital One was made aware of these issues at the time the applications for credit were made. So I can't fairly say that Capital One knew or ought to have known about these issues.

In conclusion, I'm satisfied that Capital One carried out reasonable and proportionate checks and that the decision to lend was fair. It follows that I don't think Capital One lent irresponsibly.

My final decision

My final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 27 February 2023.

Emma Davy
Ombudsman