

The complaint

Miss B complains that Capital One (Europe) plc (“Capital One”) irresponsibly granted her a credit card she couldn’t afford to repay.

What happened

In October 2021 Miss B entered into an agreement with Capital One to have access to credit by way of a credit card account. The credit limit was £200.

Miss B says that Capital One didn’t complete adequate affordability checks when it opened the credit card account. She says the card wasn’t affordable for her from the outset and that her financial situation also worsened when her wages were cut.

Capital One said it carried out a reasonable and proportionate assessment to check Miss B’s financial circumstances before granting her the credit

Our adjudicator didn’t recommend the complaint be upheld.

Miss B didn’t agree and so her 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.

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.

Before opening the account, I think Capital One gathered a reasonable amount of evidence and information from Miss B about her ability to repay. I say this having noted that it relied on information she provided to Capital One when she made her application. It also carried out a credit check and estimated Miss B’s daily outgoings using statistical information.

Miss B recorded her gross annual income as £14,000. The credit checks Capital One carried out showed she had two other credit cards she was using, with combined available credit limits of £1,900. She also had an active hire purchase agreement in place on which she owed around £4,500. She also had access to a small overdraft facility on her bank account. The checks didn’t show any evidence of adverse markers on Miss B’s credit record such as adverse credit notations, defaults or county court judgments. However, just because I think it carried out proportionate checks, it doesn’t automatically mean it made a fair lending decision. So, I’ve thought about what the evidence and information showed.

I’ve reviewed the information and evidence Capital One gathered. Having done so I’m satisfied that the checks that were completed showed that the credit made available to her under the agreement was likely to be affordable to Miss B. I say this because, having looked at her income and committed expenditure at the time, it’s likely she would have had enough

disposable income to be able to take on the new credit that Capital One was giving her. This is what I would have expected Capital One to rely on when assessing whether the proposed lending was fair and proportionate.

I agree with our adjudicator that, looking at the maximum minimum payment she would make on the card each of £20, plus the other credit commitments we know about, Miss B would only be using around 20% of her monthly income. And for completeness, although it's not something directly relevant here since Miss B didn't receive any credit limit increases, she still ought to have had sufficient disposable income available if her pay was cut by £3,000. This is what she said happened some months after she was granted the card.

In conclusion, having looked carefully at all the available evidence and information, I don't think Miss B has been able to demonstrate that her credit card agreement with Capital One was unaffordable. So I can't reasonably conclude that Capital One ought to have known she would struggle to make the card repayments. I'm therefore not persuaded that Capital One acted unfairly in approving her for the card. As I'm not persuaded that Capital One acted unfairly, I don't think it needs to do anything to put things right.

I know this won't be the outcome Miss B was hoping for, especially given the current financial difficulties she's told us about. I'm sorry we can't help her on this occasion.

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 Miss B to accept or reject my decision before 3 May 2023.

Michael Goldberg

Ombudsman