

Complaint

Mr A has complained about a credit card Capital One (Europe) plc (“Capital One”) provided to him. He says the credit card was irresponsibly provided to him as if better checks had been carried out – such as requesting bank statements – it would have been clear his gambling meant he couldn’t have afforded to make the repayments to this credit card.

Background

Capital One provided Mr A with a credit card with an initial limit of £750 in September 2021. Mr A wasn’t provided with any credit limit increases.

One of our investigators reviewed what Mr A and Capital One had told us. And she thought Capital One hadn’t done anything wrong or treated Mr A unfairly in relation to providing the credit card. So she didn’t recommend that Mr A’s complaint be upheld. Mr A disagreed and asked for an ombudsman to look at the complaint.

My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Mr A’s complaint.

Capital One needed to make sure it didn’t lend irresponsibly. In practice, what this means is Capital One needed to carry out proportionate checks to be able to understand whether Mr A could afford to repay any credit it provided.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to lend to a customer irresponsibly.

Capital One says it agreed to Mr A’s application after it obtained information on his income and carried out a credit search. And the information obtained indicated that Mr A would be able to make the relatively low monthly repayments due for this credit card. On the other hand Mr A says that he was already struggling and shouldn’t have been provided with this credit card.

I’ve considered what the parties have said. What’s important to note is that Mr A was provided with a revolving credit facility rather than a loan. And this means that Capital One was required to understand whether a credit limit of £750 could be repaid within a

reasonable period of time, rather than in one go. A credit limit of £750 required relatively small monthly payments in order to clear the full amount owed within a reasonable period of time.

Furthermore, I've seen records of the information Capital One obtained from Mr A about his income and that was on the credit search carried out. And this information doesn't indicate to me that Capital One ought to have realised that Mr A didn't have the funds to make the low monthly payment that would be required for this credit card.

I accept that Mr A says that his actual circumstances at the time were worse than what the information Capital One obtained showed. And I also accept that if Capital One had gone into the depth of checks Mr A appears to be saying it should have – such as obtaining bank statements – it's possible, but by no means certain, it may have reached a different decision.

However, in my view, there wasn't anything immediately obvious in the information that Capital One had, including Mr A's existing indebtedness bearing in mind his declared income, which meant it should've asked Mr A to provide supporting evidence, such as bank statements, before providing him with a credit card, with this credit limit, in this instance.

I can also see that Mr A's position did worsen and I know the reason for this. But I think that it is fair to say that this was after the credit card had already been provided. And it wouldn't be fair and reasonable for me to use hindsight here, or say that Capital One should have known this would happen. This is especially as the available information indicates Mr A could repay what he would owe at the time the lending decision was made and proportionate checks simply wouldn't have uncovered what it was that would lead to Mr A's difficulties.

So overall while I can understand Mr A's sentiments, I don't think that Capital One treated Mr A unfairly or unreasonably when providing him with his credit card. And I'm not upholding Mr A's complaint. I appreciate this will be very disappointing for Mr A. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mr A's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 15 December 2023.

Jeshen Narayanan
Ombudsman