

Complaint

Mr E has complained about a credit card Capital One (Europe) plc ("Capital One") provided to him.

He says that he shouldn't have been given the credit card as it was unaffordable.

Background

Capital One provided Mr E with a credit card with an initial limit of £500 in September 2019. Mr E wasn't provided with any credit limit increases.

One of our investigators reviewed what Mr E and Capital One had told us. And he thought Capital One hadn't done anything wrong or treated Mr E unfairly in relation to providing the credit card.

So he didn't recommend that Mr E's complaint be upheld. Mr E 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.

Having carefully considered everything, I've decided not to uphold Mr E's complaint. I'll explain why in a little more detail.

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 E'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 E 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 E's application after it obtained information on his income and carried out a credit search. And the information obtained indicated that Mr E would be able to make the low monthly repayment due on this credit card.

On the other hand Mr E says that he shouldn't have been lent to under any circumstances.

I've considered what the parties have said.

What's important to note is that Mr E 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 £500 could be repaid within a reasonable period of time, rather than in one go. A credit limit of £500 required small monthly payments in order to clear the full amount owed within a reasonable period of time.

I've seen records of the information Capital One obtained from Mr E about his income and what was on the credit search carried out. The credit search did show that Mr E had some active credit at this stage. But this was relatively well maintained and there was no significant adverse information - such as county court judgments recorded against Mr E - in relation to these accounts.

Capital One says that Mr E declared a salary of £28,000.00 a year. Mr E says that there is no way that this is correct as he was only earning £400 a month. I don't know what happened here. It's possible Mr E declared this salary, or it's possible that there was some kind of error. Although I have to question how Mr E was managing a secured loan/mortgage, which appeared on the credit search carried out, with payments of £420 a month if he only had earnings of only £400 a month in total.

Either way, the most important thing here is that given the low amount being lent here and neither the credit searches Capital One carried out or the credit file Mr E has provided showing over-indebtedness, I don't think that Capital One needed to further verify what was in the information it had before lending.

I accept that Mr E says that his actual circumstances at the time were worse than what the information Capital One obtained showed. And Mr E's suggestion is that if Capital One had done more it would have seen this - although despite having been given the opportunity to do so, he hasn't provided us with anything at all which demonstrates what doing more would have shown.

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

Overall and having considered everything, while I can understand Mr E's sentiments and I'm sorry to hear about his situation, I don't think that Capital One treated Mr E unfairly or unreasonably. It carried out proportionate checks and reasonably relied on the information provided which suggested that the credit card was affordable.

Consequently I'm not upholding Mr E's complaint. I appreciate this will be very disappointing for Mr E. 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 E's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 16 February 2024.

Jeshen Narayanan
Ombudsman