

Complaint

Mrs C has complained about a credit card Capital One (Europe) plc (“Capital One”) provided to her. She says the credit card was irresponsibly provided to her as it was unaffordable.

Background

Capital One provided Mrs C with a credit card with an initial limit of £200 in November 2018. Mrs C wasn’t provided with any credit limit increases.

One of our investigators reviewed what Mrs C and Capital One had told us. And he thought Capital One hadn’t done anything wrong or treated Mrs C unfairly in relation to providing the credit card. So he didn’t recommend that Mrs C’s complaint be upheld.

Mrs C disagreed and asked for an ombudsman to look at her 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 Mrs C’s complaint.

Having carefully considered everything, I’ve not been persuaded to uphold Mrs C’s complaint. I’ll explain why in a little more detail.

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 Mrs C 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 Mrs C’s application after it obtained information on her income and carried out a credit search. And the information obtained indicated that Mrs C would be able to make the extremely low monthly repayments required to repay this credit card as well any interest accrued within a reasonable period of time. On the other hand Mrs C says that she 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, in this instance, Mrs C 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 £200 could be repaid within a reasonable period of time, rather than in one go. A credit limit of £200 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 Mrs C about her income and a summary of what was likely to have been on the credit search carried out. As I understand it, Mrs C did have some existing debt. But while I appreciate that Mrs C might disagree with this, I don't think that this in itself wouldn't indicate to me that Capital One ought to have realised that Mrs C didn't have the funds to make what was the low monthly payment that would be required for a credit card with the credit limit Mrs C was provided with.

I appreciate that Mrs C says that her circumstances were worse than it appeared and I'm sorry to hear about this. And it's possible that if Capital One had gone into the level of checks Mrs C says it should have it's possible but not by means certain that it might have made a different decision.

But I don't think that Capital One needed to obtain this level of information for a credit limit of £200. Equally, as the information Capital One did obtain from Mrs C, at the time, did indicate that she did have the funds to repay this credit card within a reasonable period of time, I don't think that it was unreasonable for Capital One to lend in these circumstances.

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

My final decision

For the reasons I've explained, I'm not upholding Mrs C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 15 March 2024.

Jeshen Narayanan
Ombudsman