

The complaint

Mrs T complains that Capital One (Europe) plc was irresponsible in its lending to her.

What happened

Mrs T was provided with a Capital One credit card in August 2023 with a credit limit of £1,000. She says that she was in financial trouble at the time and had previously had credit cards with Capital One that had been closed after being accepted as being lent irresponsibly. Given this she thought she shouldn't have been provided with a new credit card which she explained she is only able to make the minimum payments on.

Capital One issued a final response not upholding Mrs T's complaint. It said when assessing a credit application, it used data from the credit reference agencies and other authorised third parties as well as the information provided by the applicant. It said that, at the time of application, Mrs T confirmed her annual salary as £37,825 and that she was a private tenant. Following the concerns raised by Mrs T it carried out another review to establish whether the lending was affordable. It said that Mrs T's debt commitments at the time included £794 of outstanding credit card debt, £16,635 in hire purchase agreements and £1,929 of other borrowing. It said Mrs T declared her housing costs as £300. Based on this and an assessment of non-discretionary expenditure it considered the lending to be affordable.

Mrs T referred her complaint to this service. She said that while her income was checked, Capital One didn't consider her history and that the credit card shouldn't have been provided.

Our investigator didn't uphold this complaint. She thought that Capital One gathered a reasonable amount of information before providing the credit card. While identifying that Mrs T's credit check showed a previous default, she said that as this was historic, she didn't think it meant the lending shouldn't have been provided and noted that Mrs T's accounts at the time were all up to date. Our investigator considered the income and expenditure details gathered and didn't think this suggested the lending to be unaffordable.

Mrs T didn't accept our investigator's view. She said that Capital One had previously closed an account of hers and so there should have been a red flag against her name. She said that this would have shown she had experienced previous financial issues and that further credit shouldn't have been provided.

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.

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to

carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

Mrs T was provided with a credit card with a £1,000 credit limit. Before this, Capital One gathered information about Mrs T's income and housing costs and carried out a credit check. The credit check showed that Mrs T had a historic default, but I do not find that this alone meant the lending shouldn't have been provided. The recent data from the credit check showed that Mrs T had other outstanding credit commitments, but I do not find that these were of a scale or type that raised concerns. And as Mrs T was up to date with her repayments, I do not think the credit check raised issues that meant further checks were needed. So, given Mrs T's income and the credit limit provided I think that the checks carried out were reasonable.

However, just because I consider the checks to have been reasonable, that doesn't necessarily mean that the lending should have been provided. To establish that I have considered the information received through the checks to assess whether this suggested the lending would be affordable for Mrs T.

Mrs T's annual income was recorded as £37,825. This would result in a monthly net income of around £2,500. She declared her housing costs as £300 a month and she had other credit commitments, which based on the credit file information totalled around £520 a month. Mrs T said in her application that she had two dependents. Taking all of this into account, I do not find that the credit limit of £1,000 should have appeared unaffordable for Mrs T.

Mrs T previously had accounts closed by Capital One and thought that her name should have been red flagged to prevent any more credit being provided. Capital One has provided information about the accounts being closed following it upholding Mrs T's complaint about the lending. I have taken the comments Mrs T has made about this into account and also Capital One's comment that the account that is subject to this complaint was opened around seven months after the previous complaint was resolved.

In this case, I think it reasonable that Capital One should have taken into account the information it held on Mrs T when it assessed her application. But, considering when the accounts that were closed were initially opened compared to when this application was made, I do not find the action taken regarding the previous accounts necessarily meant that no further lending should have been given. Instead, I think that it was even more important that the checks carried out ensured, in light of Mrs T's previous financial difficulties, that the current lending would be sustainably affordable for her. As I find the checks carried out were reasonable given the credit limit being provided and that this appeared affordable, I do not find I can uphold this complaint. That said, as Mrs T has explained her financial circumstance any the outstanding balance on her account.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs T to accept or reject my decision before 24 May 2024.

Jane Archer
Ombudsman