

The complaint

Mr C complains that Capital One (Europe) plc irresponsibly lent to him.

What happened

Mr C says that Capital One approved him for a credit card when he was both financially and emotionally vulnerable as a result of a debt relief order (DRO). Mr C complained to Capital One that the lending was irresponsible. Capital One upheld his complaint, and they refunded £48 of fees and £232.70 of interest they had charged him. This left an outstanding balance of £189.78 which Capital One wrote off. They also removed adverse information about the account from Mr C's credit file.

Mr C says that Capital One gave no consideration to the financial trouble that their irresponsible lending caused. He said they should have made a provision for compensation also. Mr C says the impact on his credit file resulted in his car insurance premiums being higher than they should have been, and he couldn't access business start-up funding. Mr C brought his complaint to our service.

Our investigator did not uphold Mr C's complaint. She said his credit score was made up from data provided by all the financial companies associated with him in the six years prior to his application, so it was difficult to say that it was just Capital One which caused his insurance premiums to be impacted. She said she didn't think it would be reasonable for Capital One to provide compensation on top of the redress already provided to him.

Mr C asked for an ombudsman to review his complaint. He said the facts of the case were clear - Capital One extended a line of credit to someone with no credit rating just out of a DRO who was vulnerable, and with no affordability checks. He said his credit score dramatically improved when Capital One removed the adverse information from his credit file.

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.

As Capital One has accepted and apologised for opening the account, resulting in Mr C having access to credit that he's found to be more difficult to afford than what they anticipated, and they upheld his irresponsible lending complaint, I've not focused my investigations on this point. Instead I've focused on what Mr C has said about compensation for the financial trouble that their lending caused him, as this is the reason he's brought his complaint to our service.

I asked Mr C if he could provide a copy of his credit file. While this wouldn't have contained information about the lending decision as this is now over six years ago, I wanted to see if there were other factors which could have affected his credit file, which could have contributed to higher insurance premiums, or affected him being unable to get funding for his business start-up, before Capital One removed the adverse information from his credit file. I

also asked Mr C if he had any confirmation from his insurance company that they raised his premiums based solely on the information they saw regarding his Capital One account.

Mr C was able to send a screenshot of his credit score increasing. But this didn't show the year on these screenshots (although I have no reason to doubt these screenshots were before and after Capital One removed the adverse information). Mr C was unable to provide me with a full copy of his credit file, so I was unable to see if there were other factors on his credit file which could affect a credit score.

Mr C was unable to provide information from his insurance company that they raised his premiums based solely on information they saw regarding his Capital One account on his credit file. So in the absence of this, I'm unable to fairly conclude that Capital One were solely responsible for the increase to his insurance premiums or him being unable to get funding for a business start-up.

I know Mr C will take great exception to what I've said here. I don't think there's any doubt that the adverse information Capital One registered on his credit file, especially regarding the account defaulting, would be viewed negatively on his credit file. But Mr C has also told us he had just come out of a DRO, and he had no credit rating when Capital One approved his application. So it's possible that these factors also could have affected what happened moving forward, as adverse information would have been showing on Mr C's credit file for six years.

Capital One have also told us that from the credit file information, Mr C had had a second mortgage account six payments behind that was settled in January 2022. So it's possible that other account information separate to the Capital One account affected his insurance premiums, and therefore I can't conclude that Capital One were solely responsible for the increase to his insurance premiums, as I can't say other adverse information on his credit file wouldn't have resulted in the same outcome for his insurance premiums.

As such, the redress that Capital One carried out was largely in line with what our service would have asked them to pay him if they had not upheld Mr C's complaint. They refunded fees and interest charged. And although Mr C had the benefit of spending on the card, Capital One agreed to write off the remaining balance, which is a step further than what it's likely we would have asked them to do if they didn't uphold his complaint. The value of the write off was £189.78. So I'm satisfied the redress Capital One provided Mr C was adequate in all of the circumstances of this complaint.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress Capital One carried out for Mr C results in fair compensation for Mr C in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case. So it follows I don't require Capital One to do anything further.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 28 October 2024.

Gregory Sloanes
Ombudsman