

## **Complaint**

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

## **Background**

Capital One provided Mrs N with a credit card with a limit of £200 in July 2019.

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

Mrs N 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 Mrs N’s complaint.

Having carefully considered everything, I’ve decided not to uphold Mrs N’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 N 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 initially agreed to Mrs N’s application after it obtained information on her income and carried out a credit search on her. And the information obtained indicated that Mrs N would be able to make the low monthly repayments due for this credit card. On the other hand Mrs N says that she shouldn’t have been lent to as she had a county court judgment (“CCJ”) recorded against her.

I’ve considered what the parties have said.

What's important to note is that Mrs N was provided with a revolving credit facility rather than a loan. 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 all in one go. And a credit limit of £200 required relatively 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 Mrs N about her income and what was on the credit search carried out. Capital One says that Mrs N declared receiving around £15,000.00 a year. The credit search carried out also showed that Mrs N didn't have any significant adverse information – such as defaulted accounts or county court judgments - recorded against her. As far as I can see, Mrs N also had no active credit balances either.

Ultimately, it was up to Capital One to decide whether it wished to accept the credit risk of taking on Mrs N as a customer, given she didn't have much in the way of an active credit history, provided the credit was affordable. Although it is fair to say that it needed to reasonably mitigate the risk of harm to Mrs N going forward. In my view, Capital One did mitigate the risk of harm to Mrs N by providing her with an extremely low credit limit.

I accept that Mrs N says her actual circumstances at the time were worse than what the information Capital One obtained showed. I'm sorry to hear that she had other debts and that her rent was high. However, Capital One was entitled to rely on the results of its credit checks, which showed that Mrs N had no active credit commitments.

Furthermore, even though Mrs N's bank account statements, which in any event I wouldn't expect Capital One to have requested before providing such a low credit limit, show rent payments, it's clear that Mrs N was receiving contributions for this. So even if Capital One had seen this information which for reasons the I've explained it didn't need to obtain, I don't think that it would have reached the conclusion that this would have prevented Mrs N from being able to make the low monthly repayment required to repay £200 within a reasonable period of time.

In reaching my conclusions, I've also considered whether the lending relationship between Capital One and Mrs N might have been unfair to Mrs N under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I've not been persuaded that Capital One irresponsibly lent to Mrs N or otherwise treated her unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

Overall and having considered everything, while I can understand Mrs N's sentiments and I'm sorry to hear what she's said about her situation, I don't think that Capital One treated Mrs N unfairly or unreasonably in deciding to provide her with her credit card. So I'm not upholding this complaint. I appreciate this will be very disappointing for Mrs N. 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 N's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs N to accept or reject my decision before 10 February 2025.

Jeshen Narayanan  
**Ombudsman**