

The complaint

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

Mr B is represented by a solicitors firm in bringing this complaint. But for ease of reading, I'll refer to any submission and comments they have made as being made by Mr B himself.

What happened

Mr B was approved for a Capital One credit card in April 2021 with a £200 credit limit. Mr B says that Capital One irresponsibly lent to him, and he made a complaint to Capital One, who did not uphold his complaint. Capital One said appropriate checks were made which were proportionate to the amount of credit being granted. Mr B brought his complaint to our service.

Our investigator did not uphold Mr B's complaint. He said that Capital One made a fair lending decision. Mr B asked for an ombudsman to review his complaint. He made a number of points. In summary, he said he already had a number of accounts prior to this account being opened, and Capital One didn't sufficiently consider this. Mr B said he was over reliant on credit. He said Capital One did not account for his actual disposable income, and he said that after obtaining the credit from Capital One he faced significant challenges in managing his obligations.

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.

Firstly, I'm aware that I've only summarised Mr B's complaint points. And I'm not going to respond to every single point made by him. No discourtesy is intended by this. It simply reflects the informal nature of our service as a free alternative to the courts. If there's something I haven't mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual point to be able to reach what I think is a fair outcome.

Before agreeing to approve the credit available to Mr B, Capital One needed to make proportionate checks to determine whether the credit was affordable and sustainable for him. There's no prescribed list of checks a lender should make. But the kind of things I expect lenders to consider include - but are not limited to: the type and amount of credit, the borrower's income and credit history, the amount and frequency of repayments, as well as the consumer's personal circumstances. I've listed below what checks Capital One have done and whether I'm persuaded these checks were proportionate.

Capital One said they completed a credit check with a Credit Reference Agency (CRA) and information that Mr B had provided before approving his application. The information showed that Mr B was employed, and he declared a gross annual income of £35,000.

Although Mr B has said Capital One did not use his actual disposable income in the calculations, they are not required to verify every applicant's expenditure. Here, Capital One

used a mixture of Office for National Statistics (ONS) expenditure for Mr B, which is an acceptable industry standard way of estimating expenditure for a borrower.

But Capital One also used information from Mr B about his housing costs. As Mr B declared he had one dependent on his application, Capital One further increased the outgoings compared to if he had declared he had no dependents. Therefore, I'm satisfied that the affordability assessment was more personalised to Mr B's situation. They were also able to include information from the CRA about Mr B's credit commitments into the affordability calculation.

One of the CRA's Capital One used reported that Mr B had £18,398 of active unsecured debt. While this was around 52.6% of Mr B's declared gross annual salary, the majority of this debt (£14,023) was a hire purchase agreement, and Capital One were aware of Mr B's monthly repayment for this account. So I'm persuaded they did take Mr B's existing lines of credit into account as part of their account opening checks.

The checks also showed that Mr B was not in arrears on any of his active accounts when the checks were made, and he hadn't been in arrears on any of his active accounts for the previous 12 months. There were no visible defaults or County Court Judgements being reported by the CRA's that Capital One used. The amount of credit which was approved (£200) would equate to less than 0.6% of Mr B's declared gross annual income. So I'm not persuaded that further checks would have been proportionate here based on the information the checks showed.

So I'm persuaded that the checks Capital One carried out were proportionate for the amount of credit they approved for Mr B, and I'm persuaded they made a fair lending decision to approve the initial credit limit.

I've considered what Mr B has said about him facing significant financial challenges after Capital One opened his account. While I'm sorry to hear this, I can't fairly say that this would be foreseeable to Capital One based on what the checks showed. Mr B was not using all of the available credit from his external lenders at the time of the checks, he had no active arrears, and he hadn't had any active arrears in the prior 12 months, and there was no indication that the £200 credit limit repayments wouldn't be affordable or sustainable for him.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I can't conclude that Capital One lent irresponsibly to Mr B or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here. 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 B to accept or reject my decision before 16 April 2025.

Gregory Sloanes
Ombudsman