

Complaint

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

Background

Capital One provided Ms K with a credit card with a limit of £200 in January 2019. The limit on the credit card was never increased.

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

Ms K 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 Ms K’s complaint.

Having carefully considered everything, I’ve decided not to uphold Ms K’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 Ms K 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 Ms K’s application after it obtained information on her income and carried out a credit search on her. And the information obtained indicated that Ms K would be able to make the low monthly repayments due for this credit card. On the other hand Ms K says that she shouldn’t have been lent to as she had defaulted accounts recorded against her and was in a poor financial position.

I’ve considered what the parties have said.

What's important to note is that Ms K 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 Ms K about her income and what was on the credit search carried out. Capital One says that Ms K declared a salary of around £30,000.00 a year.

Capital One's credit check did indicate that Ms K had had previous difficulties with credit in the form of a historic defaults. However, the credit search also showed that Ms K had a relatively low amount of active credit. So I don't think that the defaulted accounts mean that Ms K shouldn't have been lent to in the way that she suggests.

Ultimately, it was up to Capital One to decide whether it wished to accept the credit risk of taking on Ms K as a customer provided it was reasonably entitled to believe that the credit was affordable and it reasonably mitigated the risk of harm to her going forward. Arguably Capital One did mitigate this risk by providing Ms K with such a low credit limit to begin with.

I accept that Ms K says her actual circumstances at the time were worse than what the information Capital One obtained showed. I'm sorry to hear to hear about her difficulties. However, Capital One didn't know this at the time of making its lending decision and it couldn't be expected to know about any of this either.

It's also not immediately apparent to me that further checks, which at the absolute maximum would have consisted of finding out more about Ms K's living expenses rather than relying on estimates of this, would, in any event, have led to Capital One making a different decision. I say this because I've not been provided with anything to show that Ms K's actual living costs would have shown Capital One that she couldn't afford to make the monthly repayments on this card.

In reaching my conclusions, I've also considered whether the lending relationship between Capital One and Ms K might have been unfair to Ms K 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 Ms K 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. So I'm not upholding this complaint.

Overall and having considered everything, while I can understand Ms K's sentiments and I'm sorry to hear about her situation, I don't think that Capital One treated Ms K unfairly or unreasonably. So I'm not upholding this complaint. I appreciate this will be very disappointing for Ms K. 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 Ms K's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms K to accept or reject my decision before 14 April 2025.

Jeshen Narayanan
Ombudsman