

## **The complaint**

Ms K, who is represented by a third party, complains that Capital One (Europe) plc ('Capital One') irresponsibly granted her a credit card she couldn't afford to repay.

## **What happened**

In June 2013 Ms K entered into an agreement with Capital One to have access to credit by way of a credit card account. The credit limit was £200.

Ms K got into arrears with her account, leading to a default notice being issued in October 2014, with the account being passed to collections a month later.

Ms K says that Capital One didn't complete adequate affordability checks when it opened the credit card account. She says the card wasn't affordable for her from the outset and that her financial situation worsened as a result.

Capital One said it carried out a reasonable and proportionate assessment to check Ms K's financial circumstances before granting her the credit

Our investigator didn't recommend the complaint be upheld.

Ms K didn't agree and so her complaint has been passed to me for a final decision.

## **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.

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.

Before opening the account, I think Capital One gathered a reasonable amount of evidence and information from Ms K about her ability to repay. I say this having noted that it relied on information she provided to Capital One when she made her application. It also carried out a credit check and affordability assessment using data obtained from a credit reference agency. The affordability assessment was calculated using data from the Office for National Statistics, which estimates what a customer's monthly committed spending is likely to be.

On her card application, Ms K recorded her total annual income as £10,000. The credit checks Capital One carried out showed she had seven active credit accounts. The check showed a defaulted account from March 2011 which was marked as settled. There was no recent evidence of other adverse markings on her credit file. I've also kept in mind that the opening credit was relatively modest, requiring that Ms K pay no less but no more than £5 each month. I would add that to repay the card on a more sustainable basis would require a minimum payment of around 5% each month which would work out at £10 per month.

However, just because I think Capital One carried out proportionate checks, it doesn't automatically mean it made a fair lending decision. So, I've thought about what the evidence and information showed.

I've reviewed the information and evidence Capital One gathered. Having done so I'm satisfied that the checks that were completed showed that the credit made available to her under the agreement was likely to be affordable to Ms K. I say this because the credit check carried out by Capital One showed Ms K had seven other accounts and she was up to date with all of them. And there was otherwise no recent history of missing payments or other adverse markings on her credit file. Ms K owed a total of around £400 which alongside the new credit looked to be affordable and capable of being repaid on a sustainable basis. It follows that there wasn't anything I've seen in the checks to suggest that the new credit wouldn't be affordable.

I've seen that those representing Ms K have made a number of points in response to our investigator's view. They don't cause me to change my opinion. I think it's worth saying though that Capital One is entitled to take into consideration any income received by the applicant, be it earned, by way of investments or from state benefits. And the fact that Ms K was occasionally making use of her overdraft facility – but was not reliant on it – does not in itself necessarily show or suggest that her financial situation was at risk of deteriorating by being granted the new credit. Finally, whilst Ms K had access to other credit, she was making only limited use of it, the credit check showing only two accounts in active use.

To summarise, having looked carefully at all the available evidence and information, I don't think Ms K has been able to demonstrate that her credit card agreement with Capital One was unaffordable. So I can't reasonably conclude that Capital One ought to have known she would struggle to make the card repayments. I'm therefore not persuaded that Capital One acted unfairly in approving her for the card. As I'm not persuaded that Capital One acted unfairly, I don't think it needs to do anything to put things right.

I've also considered whether the relationship between Ms K and Capital One might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Capital One lent irresponsibly to Ms K or otherwise treated her unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

I know this won't be the outcome Ms K was hoping for. I'm sorry we can't help her on this occasion.

### **My final decision**

For the reasons I've given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms K to accept or reject my decision before 5 May 2025.

Michael Goldberg

**Ombudsman**