

Complaint

Miss O has complained about a credit card Capital One (Europe) plc (“Capital One”) provided to her.

She says that the credit card was unaffordable for her. Therefore, it should never have been provided to her in the first place.

Background

Capital One provided Miss O with a credit card with a limit of £500 in January 2020. The credit limit on Miss O’s card wasn’t ever increased.

One of our investigators reviewed what Miss O and Capital One had told us. And she thought Capital One hadn’t done anything wrong or treated Miss O unfairly. So she didn’t recommend that Miss O’s complaint be upheld.

Miss O 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 Miss O’s complaint.

Having carefully considered everything, I’ve decided not to uphold Miss O’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 Miss O 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 Miss O’s application after it obtained information on her income and carried out a credit search on her. And the information obtained indicated that Miss O would be able to make the low monthly repayments due for this credit card.

On the other hand, Miss O says that she shouldn't have been lent to.

I've considered what the parties have said.

What's important to note is that Miss O 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 £500 could be repaid within a reasonable period of time, rather than all in one go. And a credit limit of £500 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 Miss O about her income and what was on the credit search carried out. Capital One says that Miss O declared receiving around £21,000.00 a year. The credit search carried out also showed that Miss O didn't have any significant adverse information – such as defaulted accounts or county court judgments - recorded against her. As far as I can see, Miss O also had low active credit balances either.

In these circumstances, there was little to suggest that Miss O couldn't afford to make what were the low monthly payments required to this credit card, or that it was unreasonable for Capital One to lend.

I accept that Miss O says her actual circumstances at the time were worse than what the information Capital One obtained showed. I'm sorry to hear that Miss O has found making her payments difficult. However, Capital One was entitled to rely on the results of its checks.

Furthermore, Miss O's bank account statements, which in any event I wouldn't expect Capital One to have requested before providing such a low credit limit, don't show that she wouldn't have been able to make the payments to this credit card. 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 it from providing this credit card to Miss O.

In reaching my conclusions, I've also considered whether the lending relationship between Capital One and Miss O might have been unfair to Miss O 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 Miss O 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 Miss O's sentiments and I'm sorry to hear what she's said about her situation, I don't think that Capital One treated Miss O 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 Miss O. 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 Miss O's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss O to accept or reject my decision before 1 May 2025.

Jeshen Narayanan
Ombudsman