

The complaint

Mr B complains Capital One (Europe) plc (Capital One) failed to carry out reasonable financial checks before it approved a credit card facility for him.

What happened

Mr B says he was approved for a credit card by Capital One with a credit limit of £750 in July 2022, but at that time he had debt elsewhere of around £6,000 and recorded defaults. Mr B says Capital One failed to carry out sufficient financial checks before it approved the credit card account and wants it to refund all interest charged to the account along with 8% simple interest and remove any adverse entries on his credit file relating to this.

Capital One says it's a responsible lender and before approving the credit card facility to Mr B it used data provided by relevant credit reference agencies (CRA's), average consumer expenditure data from Office of National Statistics (ONS) and information provided by Mr B on his application form, in which he declared he was employed earning £30,000 per annum. Capital One says the checks it carried out showed no other external debt and the new borrowing it approved looked affordable.

Capital One say it took reasonable steps before it approved the credit card to Mr B.

Mr B wasn't happy with Capital One's response and referred the matter to this service.

The investigator looked at all the available information but didn't uphold the complaint. The investigator pointed out there were no set list of checks a lender like Capital One must perform but these should be borrower focused and consider things like the amount, term and type of borrowing. The investigator says Capital One used the information contained within Mr B's application and carried out credit checks using CRA's and these checks showed there was no external debt and no recent adverse information within the previous 12 months.

The investigator saw no reason why Capital One would have been prompted to ask Mr B for any further information or carry out further checks given the modest limit provided.

The investigator felt based on what he'd seen, the credit card facility provided by Capital One was affordable and it hadn't acted unfairly when it provided the facility to Mr B.

Mr B didn't agree with the investigator's view and asked for the matter to be referred to an ombudsman 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.

Having done so, I won't be upholding this complaint and I will explain how I have come to my decision.

Mr B's complaint centres around the fact that Capital One failed to carry out sufficient checks

before it approved a credit card facility of £750 in July 2022, and if it had it would have seen he had unsecured debt elsewhere of around £6,000 and defaults registered against him.

I understand the points Mr B makes here, but I'm not fully persuaded by his argument and I will now explain my reasoning here.

The first thing to say is there are no set rules what checks lenders like Capital One must make, other than these are proportionate to the level, type and term of any borrowing and are customer focused. It's not the role of this service to tell lenders what sources it must use to carry out those checks but there is an industry standard here utilising recognised CRA's as part of those checks.

Here information provided by Capital One at the time the credit application back in July 2022, showed it had relied upon the credit application completed by Mr B which showed he had an income of £30,000 and declared no other debts, additionally it used ONS data for consumer average domestic expenditure which indicated the new borrowing was affordable.

Capital One also provided the details of data it received at the time, from two established CRA's which showed no recent adverse information or other meaningful debt outstanding, matching what Mr B had declared himself in his application.

It's reasonable to say here given the modest level of credit being offered at that time, I wouldn't expect Capital One to have undertaken the same levels of financial due diligence one might expect to see for say a large loan committed over several years.

So, with that in mind I am satisfied the level of checks it did carry out were reasonable and proportionate and from the data it had relied on, the borrowing seemed affordable. This is borne out to some extent, as the credit card it approved for the following 12 months fluctuated and operated well within its limit.

Mr B has made reference to the fact on the credit file he had seen there was a debt of around £6,000 outstanding at the time, and while I understand that I can only look at the data Capital One relied on at the time of application and that didn't show that indebtedness. It's not certain why that would be, other than to say not all types of borrowing are always recorded unless advised to the CRA's by the provider and these can include such things student and professional/trade learning courses for example.

So, while Mr B will be disappointed with my decision, I am satisfied Capital One did carry out reasonable and proportionate checks before it approved the modest credit card facility to Mr B based on the information it had available to it at the time, and the borrowing from the information I have seen looked affordable.

With that in mind I won't be asking anymore of Capital One here.

My final decision

My final decision is that 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 31 July 2025.

Barry White
Ombudsman