

Complaint

Miss C 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 Miss C with a credit card with a limit of £3,250.00 in December 2021. The limit on the credit card was never increased.

In addition to this credit card, Miss C previously took out three other credit cards with Capital One in May 2005, July 2019 and December 2019. However, Miss C has confirmed that she is no longer complaining about those accounts. Therefore, this final decision is solely determining whether Capital One acted fairly and reasonably towards Miss C when providing her with a credit card in December 2021.

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

Miss C disagreed with our investigator’s assessment of her complaint and asked for an ombudsman to consider her case.

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 C’s complaint.

Having carefully considered everything, I’ve decided not to uphold Miss C’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 C 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 C's application after it obtained information on her income and occupation, her residential situation and also carried out a credit search on her. It says that the information it obtained indicated that Miss C would be able to make the monthly repayments due for this credit card. On the other hand, Miss C says that she shouldn't have been lent to as she was in a poor financial position.

I've considered what the parties have said.

What's important to note is that Miss C 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 £3,250.00 could be repaid within a reasonable period of time, rather than all in one go. It's fair to say that a credit limit of £3,250.00 required relatively chunky 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 C about her income and what was on the credit search carried out. Capital One says that Miss C declared being self-employed as a hairdresser earning around £25,000.00 a year. Miss C also declared that she was living at home with parents at this time.

Capital One's credit check didn't show that Miss C had some active outstanding credit. And her payments seemed to be up to date at this stage. Nonetheless, while I accept that this didn't appear in the credit check it carried out, I'm mindful that Capital One will have been aware from its own records that Miss C had defaulted on one of the three previous credit cards it provided her with and that she still had an outstanding balance on this account.

I don't think that this defaulted account automatically means that Miss C shouldn't have been lent to. Ultimately, it was up to Capital One to decide whether it wished to accept the credit risk of taking on Miss C as a customer provided it was reasonably entitled to believe that the credit was affordable. However, I can't see how Capital One could reasonably have been satisfied that Miss C would be able to make the required repayments, should she end up owing £3,250.00, without finding out about her actual regular living costs.

As Capital One hasn't provided me with any indication that it did find out about Miss C's actual regular living costs, I've not been persuaded that the checks it carried out before it provided Miss C with this credit card were reasonable and proportionate. As this is the case, I'll now proceed to consider whether it is more likely than not that Capital One finding out more about Miss C's circumstances, would have resulted in it taking a different decision to lend to her.

In order to determine whether Capital One doing more would have seen it reach a different decision on lending to Miss C, I've considered the information she has provided us with. Miss C has provided a bank account statement from October 2021. The first thing for me to say is that Capital One did not need to obtain Miss C's bank statements before lending.

So I've not looked at this bank account statement because it is my conclusion that Capital One should have requested bank statements from Miss C and analysed them prior to lending. I've looked at the statement provided to extract the missing information I think that Capital One ought to have obtained before lending.

Having considered the information in the bank statement, I've not been persuaded that Miss C's regular monthly living costs means that she shouldn't have been lent to. And I'm satisfied that Capital One was reasonably entitled to reach the conclusion that Miss C did have the funds, at the time of the lending decision at least, to make the required payments.

I accept that Miss C says her actual circumstances at the time were worse than what the information she's provided shows. I note that Miss C has provided a letter from her bank showing that she missed a payment to a loan in September 2021. I accept that Miss C did miss a loan payment in September 2021 and that missing a loan payment can sometimes be indication that a customer is experiencing financial difficulty.

However, in this case, I've noted that Miss C made the payment a few days later. So, at best, this would be considered to be a late payment, rather than a missed payment which would have seen Miss C enter into arrears. Furthermore, the bank statement Miss C has provided also appears to show that she was making significant overpayments to a credit card, at least in that month too.

I'm also mindful that Miss C's new Capital One credit card had a promotional interest free balance transfer rate. Miss C's application shows that she was applying for this card to transfer an existing balance and the credit card statements show that she went on to do this and that she didn't pay interest on this balance.

As the expectation at the outset was that Miss C was going to end up not having to pay interest on credit that she was previously paying interest on, I think that Capital One was reasonably entitled to believe that this credit card would improve her overall financial situation. This is a further reason why it was entitled to consider that this credit card was affordable for Miss C.

Bearing all of this in mind and having considered it all in the round, I'm not persuaded that Capital One carrying out further checks would have led to it deciding against providing this credit card to Miss C.

In reaching my conclusions, I've also considered whether the lending relationship between Capital One and Miss C might have been unfair to Miss C 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 C 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'm sorry to hear about Miss C's overall situation and appreciate that she's been through an extremely difficult time, I've not been persuaded that Capital One treated Miss C unfairly or unreasonably when agreeing to provide her with a credit card in December 2021. So I'm not upholding this complaint.

I appreciate this will be very disappointing for Miss C – particularly given the length of time it has taken for a resolution to matters. 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 C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 16 June 2025.

Jeshen Narayanan

Ombudsman