

The complaint

Mr H complains that Capital One (Europe) Plc (Capital One) acted unfairly in agreeing to lend to him.

In bringing his complaint Mr H is represented by a third party. For ease of reading, I will only refer to Mr H in my decision.

What happened

In July 2019 Mr H applied for a credit card with Capital One. His application was successful and Capital One issued Mr H with a credit card (*5561) with a credit limit of £500.

In December 2019 Mr H applied for another credit card with Capital One. His application was successful and Capital One issued Mr H with a credit card (*2031) with a credit limit of £750.

In May 2021 Mr H applied for another credit card with Capital One. His application was successful and Capital One issued him with a credit card (*6611) with a credit limit of £200.

In September 2021 Mr H applied for another credit card with Capital One. His application was successful and Capital One issued him with a credit card (*3540) with a credit limit of £500.

Mr H said he struggled to sustain his repayments and had Capital One properly checked they would have seen the lending was unaffordable for him. He complained to Capital One.

Capital One said their checks had been reasonable and proportionate being in accordance with the regulator's guidelines. They said based on these checks they'd made fair lending decisions.

Mr H wasn't happy with Capital One's response and referred his complaint to us.

Our investigator said Capital One had carried out reasonable and proportionate checks for each of the lending decisions. So, they hadn't acted unfairly as based on these checks their lending decisions had been fair.

Mr H didn't agree and asked for an ombudsman to decide.

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've reached the same outcome as our investigator, but my reasoning about Mr H's first three credit cards does differ. I'll explain why.

Capital One has provided us with their records for all the above credit cards. From the

statements for *5561, *2031 and *6611 while I can see Mr H was approved for all three credit cards, I haven't seen any evidence that Mr H ever used any of these cards. All three credit card accounts have been closed without any usage being evident. As Mr H hasn't been caused any financial detriment, I don't need to make a finding on these credit cards as he hasn't suffered any loss.

So, I've considered Mr H's credit card *3540 that was issued in September 2021 with a credit limit of £500.

I've considered the relevant rules, guidance and good industry practice when someone complains about irresponsible and/or unaffordable lending. There are two overarching questions I need to consider in deciding what's fair and reasonable in all the circumstances of the complaint. These are:

1. Did Capital One complete reasonable and proportionate checks to satisfy themselves that Mr H would be able to repay the credit in a sustainable way?

a. if so, did Capital One make a fair lending decision?

b. if not, would reasonable and proportionate checks have shown that Mr H could sustainably repay the borrowing?

2. Did Capital One act unfairly or unreasonably in some other way?

So, before agreeing to approve Mr H's application for credit Capital One needed to make proportionate checks to determine whether the credit was affordable and sustainable for him. There's no prescribed list of checks a lender should make. But the kind of things I expect lenders to consider include - but are not limited to the type and amount of credit, the borrower's income and credit history, the amount and frequency of repayments, as well as the consumer's personal circumstances.

What's important to note is that Mr H 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, rather than all in one go. And a credit limit of £500 required relatively small monthly payments to clear the full amount owed within a reasonable period of time, around £25 a month.

I've looked at what checks Capital One said they did when they approved Mr H's application.

Capital One said they used Mr H's application data and cross checked this with a couple of credit reference agencies (CRA). The CRA check also provided details of Mr H's credit commitments and credit history. Capital One also said they used statistical data provided by the Office for National Statistics (ONS) to consider any other non-discretionary expenditure.

From these checks Mr H had an annual income of £22,750. There was a further household income of £35,000. Mr H was a homeowner with a mortgage and two dependents. Mr H had 14 active accounts comprising two current accounts, a mortgage, six credit cards, two mail orders accounts, a loan and two communication accounts. All of Mr H's active accounts were showing as being up to date.

Capital One assessed Mr H as having housing costs of £400. Mr H's CRA check showed he'd a mortgage commitment of £810, but as this was a joint household I think it was reasonable to assess Mr H as having a 50% share. I can see Mr H was using 89% of his credit limit with none showing as being over their limit.

Given the type and amount of borrowing Capital One was looking to provide I think their checks were reasonable and proportionate. I don't think there was anything immediately obvious in the information Capital One had, including Mr H's existing credit, which meant they shouldn't rely on it. So, I don't think Capital One should have asked Mr H to provide further evidence in support of his expenditure such as bank statements before providing Mr H with a credit limit in this instance.

And based on these checks I haven't seen any evidence to show Mr H wouldn't have been able to sustain a repayment of around £25 a month.

I've also considered whether Capital One acted unfairly or unreasonably in some other way given what Mr H has complained about, including whether their relationship with him might have been viewed as unfair by a court under Section 140A Consumer Credit Act 1974. But for the reasons I've already given I don't think Capital One lent irresponsibly to Mr H or otherwise treated him unfairly. I haven't seen anything to suggest that s.140A or anything else would, given the facts of this complaint, lead to a different outcome here.

I appreciate my decision will be disappointing for Mr H but I hope he will take some reassurance that he's concerns have been listened to within my reasoning.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 8 September 2025.

Anne Scarr
Ombudsman