DRN-5601191

The complaint

Miss C complains that Capital One (Europe) plc irresponsibly lent to her.

Miss C is represented by a claims management company in bringing this complaint. But for ease of reading, I'll refer to any submission and comments they have made as being made by Miss C herself.

What happened

Miss C was approved for a Capital One credit card in December 2020, with a £200 credit limit. Miss C says that this was irresponsibly lent to her. Miss C made a complaint to Capital One.

Capital One did not uphold Miss C's complaint. They said the lending decision was fair, reasonable and affordable for her. Miss C brought her complaint to our service. Our investigator upheld Miss C's complaint. He said that the decision to lend to Miss C was unfair, and it could potentially push her into financial difficulty.

Capital One asked for an ombudsman to review the complaint. In summary, they said that while they noted an account was in arrears, they could also see Miss C was in an active repayment plan on the account. They said the fact the arrears status had remained consistently static for 12 months gives further reason to believe Miss C was actively engaging with their repayment plan, which was what is preventing her from defaulting on the account. They said Miss C was offered a low credit limit with a very low minimum repayment, to minimise the additional debt burden.

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.

Before agreeing to approve the credit available to Miss C, Capital One needed to make proportionate checks to determine whether the credit was affordable and sustainable for her. 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. I've listed below what checks Capital One have done and whether I'm persuaded these checks were proportionate.

Capital One said they looked at information provided by Credit Reference Agencies (CRA's) and information that Miss C had provided before approving her application. The information showed that Miss C had declared a gross annual income of £18,000. The data from a CRA shows that Miss C had previously defaulted on credit agreements, with the last default showing as being registered around January 2019.

It may help to explain here that, while information like a default on someone's credit file may often mean they're not granted further credit – they don't automatically mean that a lender won't offer borrowing. So I've looked at what Capital One's other checks showed to see if they made a fair lending decision here.

Miss C had active accounts showing from the CRA's, and the total amount of active unsecured debt being reported by one of the CRA's was £2,075. The data showed that Miss C had been in arrears on an account, with her being six months in arrears for the entire 12 months prior to this lending decision. She was also showing as having a repayment plan on the same account.

A repayment plan would only be typically put in place if a borrower couldn't afford to pay their contractual payment on the account. The fact that the plan had been in place at least 12 months and the arrears hadn't reduced persuades me that Miss C shouldn't have even been offered a low credit limit as Miss C had not been able to return to her normal contractual repayment on the other account and reduce the arrears. So I'm not persuaded that Capital One made a fair lending decision this account.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed at the end of this decision results in fair compensation for Miss C in the circumstances of her complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Putting things right

Our investigator has suggested that Capital One takes the actions detailed below, which I think is reasonable in the circumstances. In addition to this, if Capital One do not own the debt anymore for the account, then they should also transfer any debt back to themselves if it has been passed to a debt recovery agent or liaise with them to ensure the redress set out below is carried out promptly.

My final decision

I uphold this complaint. Capital One (Europe) plc should take the following actions:

Capital One should arrange to transfer any debt back to themselves if it has been passed to a debt recovery agent or liaise with them to ensure the redress set out below is carried out promptly;

Rework the account removing all interest, fees, charges, and insurances (not already refunded) that have been applied;

If the rework results in a credit balance, this should be refunded to Miss C along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement. Capital One should also remove all adverse information regarding this account from Miss C's credit file;

Or, if after the rework there is still an outstanding balance, Capital One should arrange an affordable repayment plan with Miss C for the remaining amount. Once Miss C has cleared the balance, any adverse information in relation to the account should be removed from Miss C's credit file.

**If Capital One considers that they are required by HM Revenue & Customs to deduct income tax from that interest, they should tell Miss C how much they've taken off. They should also give Miss C a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.*

Under the rules of the Financial Ombudsman Service, I’m required to ask Miss C to accept or reject my decision before 29 September 2025.

Gregory Sloanes
Ombudsman