

The complaint

Mr W complains that Capital One (Europe) plc lent to him irresponsibly.

What happened

Mr W holds two credit cards with Capital One.

Card ending 9339 was taken out on 30 March 2023 with an initial credit limit of £200. Card ending 1604 was taken out on 1 April 2023 with an initial credit limit of £200.

Mr W says that Capital One lent to him irresponsibly because it didn't carry out checks to make sure the credit was affordable for him.

Mr W complained to Capital One seeking a refund of all interest and charges applied to the accounts, plus compensatory interest at 8%.

Capital One didn't uphold the complaint. It said it carried out proportionate checks before approving the credit card applications.

Mr W remained unhappy and brought his complaint to this service.

Our investigator didn't uphold the complaint. She said Capital One had carried out proportionate checks and had made a fair lending decision in relation to both accounts.

Mr W didn't agree so I've been asked to review the complaint.

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.

Our approach to complaints about unaffordable and irresponsible lending including the relevant rules, guidance and good industry practice are set out on our website. I've used this approach to help determine Mr W's complaint.

Having carefully considered everything I've decided not to uphold Mr W's complaint. I'll explain why.

Account ending 9339

Did Capital One carry out reasonable and proportionate checks to make sure that Mr W could repay the loan in a sustainable way?

Capital One needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should've carried out proportionate checks to make sure Mr W could afford to repay what he was being lent in a sustainable manner. These checks could take into account a number of different things, such as how much was being lent, the repayment amount and the customers income and expenditure.

Our website sets out what we typically think about when deciding whether a lenders checks were proportionate. Generally, we think it's reasonable for a lenders 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 a lender needed to more if, for example, a borrowers income was low, or the amount lent was high. And the longer a 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 borrower irresponsibly

When Mr W applied for the credit card, Capital One carried out an income and expenditure assessment. Mr W told Capital One that he was earning £58,000 per year. He declared housing costs of £650 per month. Capital One used statistical information from the ONS to estimate Mr W's other outgoings and expenses.

Capital One also carried out a credit check. This showed that Mr W had active credit card accounts with £5,804 outstanding, and other unsecured borrowing (including overdrafts) of £9,044. The active credit accounts were up to date with two of these accounts under a payment plan. Mr W had two historic defaults on his credit file. There was nothing on the credit check to suggest that he was overly reliant on credit, or that he was unlikely to be able to sustainably repay the loan.

I've considered all this information. Having done so, and taking into account the low level of credit being offered, I think the checks carried out by Capital One were proportionate and that it had obtained enough information to make a responsible decision on whether to lend to Mr W.

If the checks were reasonable and proportionate, was the lending decision fair?

I've thought about whether Capital One made a fair lending decision based on the information it had gathered and what it knew about Mr W's circumstances.

The income and expenditure assessment showed that Mr W's monthly income of around £3,500 covered his housing costs, household expenses and existing credit commitments. There was a significant amount of disposable income left each month which left enough to manage the loan repayments without causing financial difficulties.

The credit check showed that Mr W had several well managed credit accounts. There were two credit cards under a payment arrangement with all other accounts up to date. There wasn't anything to suggest that Mr W wasn't managing his finances properly and given the low level of credit being offered, I think the lending decision was fair.

Based on everything I've seen, I think the checks carried out by Capital One were reasonable and proportionate and that the lending decision was fair.

Account ending 1604

Did Capital One carry out reasonable and proportionate checks to make sure that Mr W could repay the loan in a sustainable way?

When Mr W applied for the credit card, Capital One carried out an income and expenditure assessment. Mr W told Capital One that he was earning £58,000 per year. He declared housing costs of £650 per month. Capital One used statistical information from the ONS to

estimate Mr W's other outgoings and expenses.

Capital One also carried out a credit check. This showed that Mr W had debt totalling around £15,000. Mr W's credit accounts were up to date with two of these accounts under a payment plan. There was nothing on the credit check to suggest that he was overly reliant on credit, or that he was unlikely to be able to sustainably repay the loan.

I've considered all of this information. Having done so, and taking into account the low level of credit being offered, I think the checks carried out by Capital One were proportionate and that it had obtained enough information to make a responsible decision on whether to lend to Mr W.

If the checks were reasonable and proportionate, was the lending decision fair?

I've thought about whether Capital One made a fair lending decision based on the information it had gathered and what it knew about Mr W's circumstances.

The income and expenditure assessment showed that Mr W's monthly income of around £3,500 covered his housing costs, household expenses and existing credit commitments. There was around £2000 of disposable income left each month which left enough to manage the loan repayments without causing financial difficulties.

The credit check showed that Mr W had several well managed credit accounts. There were two credit cards under a payment arrangement with all other accounts up to date. There wasn't anything to suggest that Mr W wasn't managing his finances properly and given the low level of credit being offered, I think the lending decision was fair.

Based on everything I've seen, I think the checks carried out by Capital One were reasonable and proportionate and that the lending decision was fair.

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

I've considered whether Capital One acted unfairly or unreasonably in any other way, including whether its relationship with Mr W might have been unfair under section 140 of the Consumer Credit Act 1974.

However, for the reasons I've set out above, I haven't seen anything to suggest that this was the case.

My final decision

My final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 12 August 2025.

Emma Davy
Ombudsman