

The complaint

Miss W complains Capital One (Europe) plc (Capital One) failed to carry out sufficient financial checks before it approved a credit card facility for her.

What happened

Miss W says Capital One approved a £200 credit card account in February 2020, when she already had defaulted debt recorded of around £7,500 and other indebtedness of around £3,000, which had been over its limit and had cash advances. Miss W says Capital One knowing this, shouldn't have approved the credit card account as it was unaffordable.

Miss W wants Capital One to refund the interest charged to the credit card account along with 8% simple interest on that sum and remove any adverse entries on her credit file relating to this account.

Capital One says it follows strict rules when looking to approve credit facilities and looked at various data before approving the credit card facility, including the application form and internal and external data including Miss W's credit report. Capital One says Miss W had declared her employed annual income at £20,000 and had around £3,000 of other credit card debt and based on this and her other outgoings it deemed the credit card account affordable.

Miss W 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 says there isn't a set list of checks a lender must undertake but these must be borrower focussed. The investigator says Miss W's credit file showed active account indebtedness of around £3,000 at the time of the application and while Capital One didn't obtain income evidence, the checks it did carry out were proportionate and reasonable for the modest level of credit approved. The investigator felt from the information he had seen the credit card limit of £200 was affordable.

Miss W didn't agree with the investigator's view and asked for the matter to be referred to an ombudsman for a final decision.

I sent both sides a provisional decision, where I said :

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 will be provisionally upholding this complaint and I will explain how I have come to my decision. I understand Miss W is experiencing financial difficulties and that must be a source of worry to her. When looking at this complaint I will consider if Capital One acted responsibly when it approved a credit card facility of £200 to Miss W in February 2020.

The first thing to say here is there are no set rules of what checks lenders like Capital One must undertake when looking to provide credit to its customers, other than these are

borrower focused, proportionate and take into account the sustainability and affordability of such a commitment.

It's reasonable to say here that Capital One provided a modest £200 credit facility to Miss W so I wouldn't expect the depth of its financial due diligence to be as extensive, as for example a larger long term loan facility. That said as the investigator has pointed out, the checks should be borrower focused but from the information I have seen that hasn't happened here.

I say this because at the time of the application for the credit card account, while Capital One acknowledged there was active debt of around £3,000, there was also evidence of defaulted debt with another provider still outstanding in the region of £7,500. So, although this default had occurred around two years prior, the fact remains the debt remained outstanding with no repayments evidenced and therefore it still needed to be repaid somehow.

From what I have seen, Capital One seemed to have excluded this commitment from its affordability modelling so here without asking more information from Miss W, I can't see how it could have concluded the new borrowing, albeit only modest was affordable. It's one thing to gather financial information, but here having known there was sizeable defaulted debt outstanding, at the very least Capital One should have asked Miss W about the arrangements for this debt before adding further levels of financial commitment.

I've also considered whether Capital One acted unfairly or unreasonably in some other way given what Miss W has complained about, including whether its relationship with her might have been unfair under s.140A Consumer Credit Act 1974. However, as I have provisionally upheld this complaint I see no need to comment on this further.

So, I propose Capital One reworks the credit card account refunding any interest charged since opening along with 8% simple interest on that sum. If this is sufficient to repay the debt it should also remove any adverse entries on Miss W's credit file relating to this account. Or if after the refund of interest there is still a debt outstanding, I propose Capital One sets up an affordable payment plan with Miss W and once the debt is fully repaid it should then remove any adverse entries from her credit file.

With that in mind and while Capital One may not agree, I am satisfied it should have requested more information from Miss W before approving any further credit to her for the reasons I have already explained.

Neither Miss W nor Capital One have responded to my provisional decision, so the case has been passed back to me to make 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.

I gave both Miss W and Capital One until 9 July 2025 to accept or reject my provisional decision, but as I have heard nothing further from either I see no need to change or add to this and so my final decision remains the same.

Putting things right

I instruct Capital One (Europe) plc to rework the account removing all interest, fees and charges that have been applied.

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

Or, if after the rework there is still an outstanding balance, Capital One (Europe) plc should arrange an affordable payment plan with Miss W for the remaining amount taking back the debt if sold to a third party. Once Miss W has cleared the balance, any adverse information in relation to the account should be removed from her credit file.

*HM Revenue & Customs requires Capital One (Europe) plc to deduct tax from any award of interest. It must give Miss W a certificate showing how much tax has been taken off if she asks for one.

My final decision

My final decision is that I uphold this complaint.

I instruct Capital One (Europe) plc to rework the account removing all interest, fees and charges that have been applied.

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

Or, if after the rework there is still an outstanding balance, Capital One (Europe) plc should arrange an affordable payment plan with Miss W for the remaining amount taking back the debt if sold to a third party. Once Miss W has cleared the balance, any adverse information in relation to the account should be removed from her credit file.

*HM Revenue & Customs requires Capital One (Europe) plc to deduct tax from any award of interest. It must give Miss W a certificate showing how much tax has been taken off if she asks for one.

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

Barry White
Ombudsman