

The complaint

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

Miss S 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 S herself.

What happened

Miss S was approved for a Capital One credit card in February 2021 (which I will refer to as A in this decision) with a credit limit of £300. Capital One increased the credit limit to £1,300 in October 2022. Miss S was approved for another Capital One credit card (which I will refer to as B in this decision) in January 2022, with a £500 credit limit. In October 2023, the credit limit on B was increased to £1,500.

Miss S complains that both of these accounts were irresponsibly lent to her. Miss S made a complaint to Capital One, who did not uphold Miss S' complaint. They said the lending decisions were fair, reasonable and affordable for her. Miss S brought her complaint to our service.

Our investigator upheld Miss S' complaint. He said Miss S didn't have the affordability to make sustainable repayments to either account. Capital One asked for an ombudsman to review the complaint. In summary they said they accepted our investigator's recommendation for A, but not for B. They said they completed an affordability assessment for B and found Miss S to have a positive monthly net disposable income even after considering both her debt repayments and non-discretionary spending.

Capital One said that although this may have been relatively low, it remained above their pass threshold, indicating Miss S could afford the new repayments for B. They also said that they also had the benefit of knowing how Miss S managed A, with her having no missed/late payments, she was well within the credit limit, and she made large repayments to clear her balance, which was indicative of someone with the available funds to do so.

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 or increase the credit available to Miss S, 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.

Acceptance for A and credit limit increase to £1,300 on A

As both Capital One and Miss S agree with our investigator's assessment that A, and the credit limit on A wasn't responsibly lent to Miss S, then I'm not minded to interfere here when both parties are in agreement, therefore I haven't assessed these two lending decisions.

Acceptance for B

I've looked at what checks Capital One said they did when initially approving Miss S's credit card for B. Capital One said they looked at information provided by Credit Reference Agencies (CRA's) and information that Miss S had provided before approving her application.

The information showed that Miss S had declared a gross annual income of £16,800. The data from a CRA shows that Miss S had previously defaulted on an account 12 months earlier. 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 S was not in any arrears at the time of the lending checks for B on her active accounts. And she hadn't been in arrears on any active accounts in the 12 months leading up to B being approved. Her outstanding balances as being reported on her active accounts with one CRA shows as being £6,390. This would have equated to around 38% of her declared gross annual income.

Capital One have said they used Office for National Statistics (ONS) data to help calculate Miss S' affordability. This is an industry standard way of calculating affordability. The CRA also reported how much Miss S was paying on a monthly basis for her fixed payments on her active unsecured debt. Miss S also told Capital One her housing costs were £363 a month. So Capital One would have been able to incorporate this into their affordability assessment.

While the affordability assessment may suggest that Miss S could afford the minimum repayments for a £500 credit limit, I also need to be mindful that I would expect Miss S to pay more than the minimum repayment in order to repay the full credit limit if it was used, and also to have disposable income in order to pay for any increases to her priority bills or emergencies.

Capital One admit that the disposable income was low, but it was enough to satisfy their checks. I note that Capital One has not calculated what Miss S' net monthly income is. So with the disposable income being low, I'm persuaded that they should have asked Miss S what her actual net monthly income was.

There's no set way of how Capital One should have made further proportionate checks. One of the things they could have done was to contact Miss S to ask her what her net monthly income was. Or they could have asked for her bank statements as part of a proportionate check to ensure the lending was sustainable and affordable for her.

I asked Miss S if she could provide her bank statements leading up to this lending decision as this would leave no doubt to what Miss S' net monthly income was. But Miss S did not respond to my request, even though I extended the deadline for her.

So I used an online take home pay calculator to assess Miss S' net monthly income. I amended the tax year to the year B was approved, entered Miss S' gross income into the calculator, and I selected the relevant country. The calculator did make assumptions which may or may not have been accurate (therefore this is why it would have been ideal to see

Miss S' bank statements to avoid any assumptions). I did not know Miss S' tax code to enter it on the calculator. I did not add any student loan repayments (if any were being made), and I entered no pension contributions being made.

The outcome of the take home calculator leads me to believe Miss S didn't have enough disposable income to sustainably make repayments for B. While I note what Capital One has said regarding how Miss S managed A, she typically made only the minimum repayment on A. So I can't fairly say that Miss S was making sustainable repayments on A to the level she could use any extra repayments on A to make sustainable repayments on B.

There's also the probability Miss S was making pension contributions which would have reduced her net disposable income further, leaving her little to no disposable income to sustainably make repayments for B and any rises to her priority bills/emergencies she may have. So I'm not persuaded that Capital One made a fair lending decision to approve B with a £500 credit limit.

Further lending decision on B (£1,000 credit limit increase)

If Miss S' application for B was not approved, then it's probable that the further lending decision wouldn't have happened after this either. So I think there is an argument for saying that Miss S' complaint about the subsequent lending decision on B should be upheld without making a finding on reasonable and proportionate checks. After all, if matters had played out as the evidence suggests they should have done in January 2022, then I'm not persuaded that Capital One would've added to the credit.

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 S 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 for both A and B:

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 S 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 S' credit file;

Or, if after the rework there is still an outstanding balance, Capital One should arrange an affordable repayment plan with Miss S for the remaining amount. Once Miss S has cleared the balance, any adverse information in relation to the account should be removed from Miss 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 S how much they've taken off. They should also give Miss S 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 S to accept or reject my decision before 25 November 2025.

Gregory Sloanes
Ombudsman