

## The complaint

Ms R complains that Capital One (Europe) plc irresponsibly lent to her.

Ms R 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 Ms R herself.

## What happened

Ms R was approved for a Capital One credit card in March 2019 (which I will refer to this card as A in this decision), with a £1,000 credit limit. Ms R was approved for another Capital One credit card (which I will refer to as B in this decision) in September 2019. The credit limit was £200. Ms R says that both of these accounts were irresponsibly lent to her. Ms R made a complaint to Capital One.

Capital One did not uphold Ms R's complaint. They said the lending decisions were fair, reasonable and affordable for her. Ms R brought her complaint to our service. Our investigator did not uphold Ms R's complaint. She said that Capital One made fair lending decisions.

Ms R asked for an ombudsman to review her complaint. She made a number of points. In summary, she said she had extensive use of credit, unsecured loans and high cost short term borrowing. Ms R said her income was modest and there was no evidence Capital One completed affordability checks, she said that despite her unsecured debt increasing since A was opened, Capital one opened B only six months after A was opened.

As my findings differed in some respects from our investigator's, I issued a provisional decision to give both parties the opportunity to consider things further. This is set out below:

*"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.*

*Firstly, I'm aware that I've only summarised Ms R's complaint points. And I'm not going to respond to every single point made by her. No discourtesy is intended by this. It simply reflects the informal nature of our service as a free alternative to the courts. If there's something I haven't mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual point to be able to reach what I think is a fair outcome.*

*Before agreeing to approve or increase the credit available to Ms R, 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*

*I've looked at what checks Capital One said they did when initially approving Ms R' credit card for A. I'll address the subsequent lending decision later on. Capital One said they looked at information provided by Credit Reference Agencies (CRA's) and information that Ms R had provided before approving her application.*

*The information showed that Ms R had declared a gross annual income of £17,500. The data from a CRA shows that Ms R had previously defaulted on credit agreements, with the last default showing as being registered around January 2018. 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.*

*Ms R had active accounts showing from the CRA's, and the total amount of unsecured debt being reported by one of the CRA's was £6,780 (including £1,252 of defaulted debt). The data showed that Ms R had been in arrears on more than one account in the 12 months prior to this lending decision. She was showing as having a repayment plan on one of her accounts, and the balance on this account was £4,094 despite her having a £3,500 credit limit.*

*A repayment plan would only be typically put in place if a borrower couldn't afford to pay their contractual payment the account. The plan had only been in place for seven months prior to the lending checks, and Ms R was still almost 117% of her credit limit at the time of the checks. So I'm not persuaded that Capital One made a fair lending decision to approve A*

#### *Acceptance for B*

*Although B was approved around six months prior to A being approved, I'm mindful that Ms R's financial circumstances could have improved in those six months, therefore I don't think it would be proportionate to automatically say that B shouldn't have been approved. So I've looked at what checks Capital One said they did when initially approving Ms R's credit card for B. Again Capital One said they looked at information provided by CRA's and information that Ms R had provided before approving her application.*

*The information showed that Ms R had again declared a gross annual income of £17,500. The data from a CRA shows that Ms R had no new defaulted accounts since A had been opened. But one of the CRA's reported Ms R's active unsecured debt had risen to £6,858.*

*Ms R was still showing as being on a repayment plan on one of her active accounts. Her current balance was showing as being £4,034, despite her credit limit being £3,500. So in six months she had repaid £60 off the balance, therefore it appears that Ms R could only afford £10 a month to service this debt.*

*So based on Ms R not being able to afford her contractual repayments on an account, I'm persuaded that Capital One shouldn't have approved B, even though it wasn't a relatively high credit limit in comparison to her declared income, as she had not brought her external account back within its credit limit and returned to her contractual payment on the 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 Ms R 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."*

*I invited both parties to let me have any further submissions before I reached a final*

decision. Capital One said they had no further comments to make in response to the provisional decision. Ms R did not respond to the provisional 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.

As neither party have provided me with any further information to consider, then my decision and reasoning remains the same as in my provisional decision.

### **Putting things right**

In the provisional decision I said I intend to uphold this complaint. I said I intend to ask Capital One (Europe) plc to 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 Ms R 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 Ms R's credit file;

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

I'm still satisfied this is a fair outcome for the reasons given previously.

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

### **My final decision**

I uphold this complaint. Capital One (Europe) plc should settle the complaint in line with the instructions in the "Putting things right" section above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms R to accept or reject my decision before 10 October 2025.

Gregory Sloanes  
**Ombudsman**