

The complaint

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

What happened

In April 2023 Mr R applied for a credit card with Capital One. Capital One approved the application and gave Mr R a credit card ending 5214 with a credit limit of £500.

In February 2024 Mr R applied for another credit card with Capital One. The application was approved, and Mr R was given a credit card ending 0228 with a credit limit of £1000.

Mr R complained that Capital One had lent to him irresponsibly.

Capital One partially upheld the complaint in relation to account ending 5214 and agreed to refund £240.74 in fees and interest (which was offset against the outstanding balance) and remove the default from Mr R's credit file. Capital One didn't uphold the complaint about account ending 0228. It said it had carried out reasonable and proportionate checks and that the decision to give him the card was fair.

Mr R remained unhappy and brought his complaint to this service. He believes that Capital One's decision was inconsistent and unfair, because both cards were granted within a short period under similar circumstances.

Our investigator looked at account ending 0228 only, because Mr R's complaint about account ending 5214 had already been upheld. Our investigator didn't uphold the complaint. He said he was satisfied that Capital One had carried out reasonable and proportionate checks and that having carried out a full affordability assessment, had made a fair lending decision.

Mr R didn't agree. He said that at the time of applying for the card ending 0228, he had two defaults within the last 12 months. He said that his income as a self-employed person was variable, and he believed that Capital One should've obtained bank statements, trading accounts or tax returns.

Because Mr R didn't agree 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.

I know it will disappoint Mr R, but I agree with the investigator's opinion. I'll explain why.

I've read and considered the whole file, but I'll concentrate my comments on those points which are most relevant to my decision. If I don't comment on a specific point, it's not because I've failed to take it on board and think about it, but because I don't think I need to comment on it in order to reach what I think is the right outcome.

We've set out our approach to complaints about irresponsible and unaffordable lending including the relevant rules, guidance and good industry practice on our website, I've had regard to this approach when considering Mr R's complaint.

Capital One needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice, this means that it had to carry out reasonable and proportionate checks to make sure that Mrs R could afford to repay when he was being lent in a sustainable manner. These checks could take into account a number of things, such as how much was being lent, the repayment amount, Mr R's borrowing history and his income and expenditure.

Capital One has provided details of the checks it carried out when it approved the application for the card. It says that these checks were reasonable and proportionate, and that it was fair to lend to Mr R.

I've looked at the checks that Capital One carried out to decide whether they were reasonable and proportionate.

There's no set list of checks that a lender must carry out, but this service would expect to see checks in relation to income and expenditure, income verification and credit checks.

Capital One used the information that Mr R provided about his financial circumstances. Mr R declared that he was self employed with a gross annual income of £28,000. Mr R declared housing costs of £400 per month and stated that he had no dependants.

Capital One carried out a credit search. This showed that Mr R had unsecured debt of £1520, comprising two credit cards and two unsecured loans. The credit check showed that Mr R was paying £83.55 towards his existing unsecured debt each month.

The credit check showed that there were no county court judgments recorded in the last 12 months. There were no payday loans. There were two defaults which had been recorded around 12 months prior.

Capital One also used information that it had gathered about Mr R by virtue of him being an existing customer. It looked at how he had managed his credit card ending 5214 which had been open for around 10 months. Capital One reviewed the payment history on this account.

Based on what I've seen, I'm satisfied that these checks were reasonable and proportionate.

I've gone on to consider whether the lending decision was fair.

I've reviewed all the information that Capital One obtained through its checks. In doing so, I've focussed on whether the information showed that the lending was likely to be sustainably affordable for Mr R. This is because the affordability assessment showed that Mr R had net monthly income of £1889.30 and expenditure of £483.55 on housing costs and other credit commitments. Capital One factored in the repayment on the new card at £59 per month. This left monthly disposable income of £1,347.

Capital One used their lending criteria to assess affordability. The lending criteria require that an applicant's (without dependants) residual income should exceed £535. Mr R's residual income of £1347 exceeded this by a significant margin.

Looking at the affordability assessment, I think Mr R's residual income was sufficient to enable him to pay for things like food, clothing, utilities and other essential living costs and still be able to sustainably afford the credit card. I think the lending decision was fair.

Mr R has said that Capital One should've obtained bank statements or tax returns to verify his income. However, there's no requirement on a lender to do this and looking at the checks that Capital One carried out, I think these were reasonable and proportionate having regard to the credit limit in relation to Mr R's income and the expected monthly repayments. Capital One was aware that Mr R was self-employed, and this was factored into the lending decision.

Mr R has also said that he had two defaults recorded on his credit file at the time he applied for the card. I can see from the credit checks that Capital One was aware of these but given the defaults were around 12 months old, and since they were recorded Mr R was managing all his other credit commitments well with no missed payments or arrears. As well as this the affordability assessment showed that the credit was affordable for Mr R. The presence of the defaults wasn't a bar to lending and didn't mean that the decision to lend was unfair. The defaults have to be viewed in all the circumstances of Mr R's overall financial position.

Mr R has also said that Capital One shouldn't have given him a second card so soon after they gave him the first card in April 2023. However, the fact that Mr R had the first account meant that Capital One could take into account how he had been managing that account, which was part of the affordability assessment for the second card.

Mr R has said that Capital One has been inconsistent in its decision about the second card, because it upheld the company about the first card. However, just because Capital One reached different decisions about two separate credit applications doesn't automatically mean that they have treated Mr R unfairly or acted inconsistently. Every lending decision is reviewed for fairness based on what the lender knew at the time. In this case, the information available to Capital One in February 2024 was different to the information available to it in April 2023.

Taking all the information into account, I'm satisfied that the checks that Capital One carried out were reasonable and proportionate and that the lending decision was fair.

Finally, I've considered whether Capital One acted unfairly or unreasonably in some other way, including whether the relationship with Mr R may have been unfair under section 140A of the Consumer Credit Act 1974. However, for the reasons I've given above, I don't think Capital One has acted unfairly or unreasonably here.

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 R to accept or reject my decision before 17 December 2025.

Emma Davy
Ombudsman