

The complaint

Mr B complains that Capital One (Europe) plc lent irresponsibly when it approved his credit card application.

What happened

Mr B applied for a Capital One credit card in November 2023. In his application, Mr B said he was employed with an annual income of £32,000 and renting his home for £400 a month. Capital One completed a credit check and found an unsecured loan that had an outstanding balance of £3,868 and monthly repayments of £60. A credit card with an outstanding balance of £1,844 against a limit of £1,900 was found. And a current account with associated overdraft limit of £4,500 and outstanding balance of £1,049 was found. No adverse credit, defaults, payday loans or recent missed payments were noted.

Capital One says it used a service provided by the credit reference agencies to check Mr B's current account turnover in an effort to verify the income figure of £32,000 he gave in the application. Capital One says it verified a figure of £28,000 and used a net monthly income of £1,883.

An affordability assessment was completed using Mr B's income of £1,889, the rent he gave in the application of £400, repayments to his existing debts of £283 and general living expenses of around £650 a month. Capital One also included a payment of £20 a month towards the new credit card. Capital One calculated that after covering Mr B's existing outgoings and new credit card with a limit of £200 he would have around £535 remaining as a disposable income. Capital One approved Mr B's application and issued a credit card with a limit of £200.

More recently, Mr B complained that Capital One lent irresponsibly and it issued a final response. Capital One said it had carried out the relevant lending checks before approving Mr B's application and didn't agree it lent irresponsibly.

An investigator at this service looked at Mr B's complaint. They thought Capital One had completed proportionate checks and that its decision to lend was reasonable based on the information obtained. The investigator wasn't persuaded Capital One lent irresponsibly and didn't uphold Mr B's complaint.

Mr B asked to appeal and said his real income was lower than the figure Capital One used. Mr B also said his financial situation in November 2023 was strained and that he had several other debts including a large overdraft facility. Mr B added that he was vulnerable at the time which wasn't considered by Capital One. As Mr B asked to appeal his complaint has been passed to me to make a 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.

Before agreeing to lend, the rules say Capital One had to complete reasonable and proportionate checks to ensure Mr B could afford to repay the debt in a sustainable way. These affordability checks needed to be focused on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:

- The amount of credit;
- The total sum repayable and the size of regular repayments;
- The duration of the agreement;
- The costs of the credit; and
- The consumer's individual circumstances.

That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate. Lenders may choose to verify a borrower's income or obtain a more detailed picture of their circumstances by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.

I've set out the information Capital One used when considering Mr B's application above. I can see Mr B told Capital One he was employed with an income of £32,000. Mr B's confirmed his income wasn't at that level and feels Capital One should've found that during the application. But Capital One says it used a service provided by the credit reference agencies to help verify the income figure provided. The response gave an actual income of around £28,000, not £32,000. So that's the figure Capital One used when considering Mr B's application. I understand Mr B's explained he wasn't earning in line with those figures but I'm satisfied Capital One's checks confirmed a figure of £28,000 and I'm satisfied it was broadly in line with what he said in the application. I'm satisfied it was reasonable for Capital One to use an annual income figure of £28,000 and net monthly figure of £1,889 when considering whether to lend.

Mr B's told us he was already under financial strain. I've looked at his credit file to see if there were signs Capital One should've picked up on that showed Mr B was already overcommitted. I've set out the debts Mr B had at the time above. They totalled around £6,300. Mr B had a loan, a credit card and an overdraft. I can see the credit card balance was at or around the existing limit. But Mr B's overdraft limit was £4,500 and the credit file said he owed £1,049 at the point of application. Mr B's credit file showed no significant signs of financial strain like missed payments, payday loans or defaults and I'm satisfied his accounts were all well maintained. Whilst I understand what Mr B's said about his circumstances at the time, I haven't seen anything that would've indicated to Capital One he was already overcommitted.

Capital One completed its affordability assessment using the information Mr B gave about his income and rent along with the cost of covering his credit commitments as found on his credit file. In addition, Capital One used an estimate for Mr B's regular living expenses – an approach it's allowed to take under the relevant lending rules. Capital One has explained its estimate is based on data obtained from nationally recognised statistics and I'm satisfied that was a reasonable approach in the circumstances of Mr B's application.

Whilst Capital One needed to ensure the new credit card repayments were sustainable for Mr B, I think it's fair to note the limit was low at £200 which reduced the potential for financial harm. And I'm satisfied the available information was sufficient to show Mr B could sustainably afford repayments to a new credit card with a limit of £200.

In my view, Capital One completed reasonable and proportionate checks before approving Mr B's application. And I'm satisfied the decision to issue a credit card with a limit of £200

was reasonable based on the information Capital One obtained. I'm sorry to disappoint Mr B but I haven't been persuaded Capital One lent irresponsibly when it approved his credit card application.

I've considered whether the business acted unfairly or unreasonably in any other way including whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Capital One lent irresponsibly to Mr B or otherwise treated him unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

My final decision

My decision is that I don't uphold Mr B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 7 January 2026.

Marco Manente
Ombudsman