

complaint

Miss W has complained that Capital One (Europe) plc lent to her irresponsibly.

background

Miss W was given a Capital One credit card in January 2014, with a limit of £1,500. Then in June 2014, she was given a second, also with a limit of £1,500. Miss W feels the cards were unaffordable – in particular the second, given so soon after the first. She'd like Capital One to remove the interest and charges.

Our investigator looked at what had happened. She wasn't persuaded that Capital One's affordability checks were adequate, so she looked at Miss W's credit report, and bank statements for the time leading up to the cards being taken out. Miss W had declared an income of £10,000 a year to Capital One, but our investigator noted there were a number of high value payments going into her account each month. After deducting essential expenditure, she was satisfied Miss W could afford the card repayments. And she didn't think there was anything on Miss W's credit file that should've caused concern, because most of her loans with a third party had been settled. So she didn't think Capital One had lent irresponsibly.

Our investigator understood that Miss W is now in financial difficulty, and said she'd expect Capital One to treat her positively and sympathetically. She noted it had now frozen interest and charges and agreed a repayment plan. She thought this was fair.

Our investigator also looked at what was happening about Miss W's online account, because her access to it had been restricted. She appreciated it's inconvenient, particularly as Miss W wasn't told straight away that her access couldn't be reinstated. But she thought Capital One's £80 compensation was fair to address this.

Miss W disagreed. In summary, she said:

- she thought Capital One had been irresponsible in giving her a second card, given she'd reached the credit limit on the first one;
- she was self-employed when she took out the cards, and the sums of money going into her current account were being used to pay suppliers as well as her living expenses and bills;
- she has perforated ear drums, and has had an operation, and is waiting for another;
- her credit report should have alerted Capital One to problems she'd had in the previous years, including repeated borrowing; and
- she'd also taken out two other credit cards.

my findings

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 agree with our investigator. I'll explain why.

I'm aware that Capital One has said Miss W declared an income of £10,000, and that she passed its affordability criteria. But, like our investigator, I can't see exactly what checks it did. So I've looked at Miss W's credit report and bank statements myself.

Looking at the credit report, I agree there's nothing I think should've caused concern about lending £3,000. Although there was some historic debt, I don't think this would've been sufficient to make the cards seem unaffordable. And having other credit commitments, such as other cards, doesn't mean further borrowing is necessarily unaffordable. Based on this, along with Miss W's declared income, I wouldn't have expected Capital One to decide not to lend.

That said, I've also looked at Miss W's bank statements. They show significant deposits into her account. I understand some of this money was needed as part of being self-employed. But I wouldn't have expected Capital One to have known this (had it looked at the statements, which I don't think it did), because it was a personal account, not a business one.

I know Miss W feels particularly strongly that she shouldn't have been given the second card, as she'd reached the limit on her first. But based on her declared income, plus the other amounts going into her account, and her credit file, I don't think a total credit limit of £3,000 was unreasonable. Because of this, I'm not going to ask Capital One to remove the interest and charges.

I know Miss W is experiencing financial difficulty, and a repayment arrangement has been set up. Interest and charges have also been frozen. I think this is fair. If Miss W is having problems with the repayment plan, she may want to contact Capital One to see if there's anything further it can do.

As regards her online access, I understand it must be frustrating that it can't be reinstated. But I think the £80 compensation is fair to reflect this.

I'm very sorry Miss W has been having health problems. But I'm afraid I don't think this affects whether or not the borrowing was affordable. If she feels it impacts her ability to keep up with her repayment arrangement, I'd urge her to discuss this with Capital One.

my final decision

For the reasons given above, it's my final decision that the £80 compensation is fair. I'm not asking Capital One (Europe) plc to do anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 22 January 2018.

Elspeth Wood
ombudsman