

complaint

Mr R is unhappy with the level of charges added to his credit card by Capital One (Europe) plc.

background

Mr R had a credit card with Capital One. His limit was £200. But, over a period of time, Capital One applied £180 of charges for late and missed payments. Mr R was out of work and the company knew he was having difficulties.

He'd like Capital One to refund any double charges and reduce his balance to the £200 limit. And he'd like a small amount of compensation for the stress caused.

Capital One looked at Mr R's concerns. It'd refunded charges when Mr R had lost his debit card and made a late payment. And it'd refunded charges again a few months later when Mr R was having difficulties.

Capital One said it was entitled to apply the charges - even if they took the balance over the account limit. It was within the terms and conditions of the account. And it was the card holder's responsibility to make sure the account was kept under its limit. As it'd applied the charges correctly, it wouldn't make any further refunds. And it had now passed the debt to another company.

Mr R said he was working with a company to manage his debts. But Capital One didn't hear from them about a payment plan. So the account defaulted in June 2016.

Our adjudicator looked into the matter. He explained how businesses aren't allowed to set charges at a level that's more than the loss they'd suffer. So the default fee for failing to make the minimum monthly payment couldn't be more than the cost Capital One would incur.

He looked at the charges but he couldn't say they were disproportionate. And they'd been applied correctly. So he couldn't say Capital One had done anything wrong

Mr R didn't agree. He now owed nearly double his credit card limit. He thought Capital One could have done more. So he's asked for an ombudsman's final decision.

my findings

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

I appreciate how difficult the situation must've been for Mr R. Sometimes he wasn't able to make the minimum payments on his credit card. And Capital One then added charges that increased his debt. So he now owes nearly twice as much.

I can see our adjudicator has explained the regulations that cover fixed charges. Capital One, and other businesses, aren't allowed to make excessive charges for breaches of contract such as late or missed payments. They're only allowed to charge what it roughly costs them as a business.

I've looked at the charges Capital One has applied to Mr R's account. And they're in line with the actual cost to the business. So I can't say Capital One has done anything wrong by applying the charges. They're not disproportionate or unlawfully applied.

I can see Mr R was experiencing some financial difficulties. And I would expect Capital One to act sympathetically and positively towards him if it was aware. The business made a number of refunds as gestures of goodwill. And it sent a letter of authorisation to the debt management company when Mr R told them who he was working with. But it didn't hear back and it didn't receive any further payments.

I realise Mr R had been unwell during this time. And he was finding it difficult to deal with a number of pressing matters. But I can't really say Capital One has acted unfairly or unreasonably. It's acted within the terms and conditions of the account. And its applied charges at reasonable levels, in line with other companies. And its refunded charges on occasion when Mr R has contacted it.

I sympathise this has resulted in Mr R's debt increasing. But, based on what I've seen, I don't think Capital One has acted unfairly. So I won't be asking it to do anything more.

my final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 24 August 2017.

Andrew Mason
ombudsman