

complaint

Mr H complains that Capital One (Europe) plc shouldn't have given him a credit card. He says his credit history should have made Capital One aware that the lending was unaffordable for him.

background

Mr H applied for a credit card with Capital One in February 2016. Capital One issued him a card with a £200 credit limit.

In June 2017 Mr H fell behind with his repayments. He told Capital One he was experiencing financial difficulty and it agreed a repayment plan with him and made him aware it would be placing a default on his account. Mr H didn't make any further payments, so Capital One sold the debt on to a debt collection agency in 2019.

Mr H complained that Capital One should never have given him the credit card due to the information on his credit file. He said he'd experienced financial hardship as result.

Capital One said it had considered the income Mr H told it he was earning when he applied for the card. It had also checked Mr H's credit file at the time of his application. While it showed he'd defaulted on several debts, the defaults weren't recent to his application and some were being reduced. It said there were no indications from Mr H's application that the lending was unaffordable. It had given him a credit building card with a low limit of £200, once its affordability assessments had been satisfied.

Our investigator didn't think Capital One had done anything wrong. He said Capital One had looked at Mr H's credit file when he had taken out the card and it didn't show any large debts or recent defaults. He didn't think it was unreasonable for Capital One to allow him a credit limit of £200. He also thought Capital One had tried to support Mr H when he told it he was struggling to make his repayments.

Mr H didn't agree with our investigator's view and asked for an ombudsman to look at his complaint, so it's been passed to me.

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've decided not to uphold Mr H's complaint. I'll explain why.

Before it issued the credit card to Mr H, Capital One had an obligation to check that he would be able to make his repayments in an affordable and sustainable manner. The checks needed to be proportionate to the amount it was lending to Mr H.

I can see from Mr H's credit card application that he told Capital One he was employed and his income was £23,000 a year. Capital One says it reviewed Mr H's credit file at the time of the application and has sent us the information it looked at. I can see there were a few previous defaults on Mr H's file, but these don't appear to have been recent to the time of his application. I can also see that Mr H had some existing debt. But I don't think these existing commitments were large enough to suggest that Mr H wouldn't have been able to afford his credit card repayments taking into account his income.

Capital One offered Mr H a credit card with a relatively low limit of only £200. I don't think this was unreasonable given what it knew about Mr H's income, credit history and existing debt. I also think Capital One's checks were sufficient, given the amount it was lending to him. So I don't think Capital One was wrong to give Mr H the credit card.

Capital One also had a duty to act positively and sympathetically once it was aware of Mr H's financial difficulty. I can see Capital One sent Mr H an income and expenditure form to complete after he told it he was struggling to make his repayments. Capital One agreed a payment arrangement with Mr H. It explained this would mean a default being placed on his credit file because he would be paying below the minimum payment on his credit card. It also said it wouldn't apply interest or default sums to the account while the agreement was in place. As Mr H didn't make any further payments to his account, Capital One passed it on to a debt collection agency. So I think Capital One took positive steps to try to help Mr H once it was aware of his financial difficulty.

Having considered everything, I don't think Capital One has acted unfairly towards Mr H. It follows that I don't uphold his complaint.

my final decision

For the reasons I've explained, I don't uphold Mr H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to Mr H to accept or reject my decision before 28 November 2019.

Anne Muscroft
ombudsman