

The complaint

Mr X complains that Capital One (Europe) plc was irresponsible in its lending to him.

What happened

Capital One provided Mr X with a credit card account with a £1,500 credit limit in February 2020. Mr X says the credit card has a very high rate of interest and he has needed to borrow further in order to make his monthly repayments.

Capital One said that it carried out creditworthiness assessments before lending. It said that when Mr X applied for the account, he said he was employed with an annual income of £24,000 and that he was living with parents. After Mr X raised his complaint Capital One reviewed its lending decision and said that based on Mr X's income, other credit commitments taken from his credit file, the housing costs he provided, and an estimate of his non-discretionary spending based on a third-party data source, the lending was affordable.

Mr X wasn't satisfied with Capital One's response and referred his complaint to this service.

Our investigator didn't uphold this complaint. She thought that Capital One gathered a reasonable amount of evidence and information before providing the lending. She reviewed the information gathered and was satisfied that this showed the lending to be affordable.

Mr X didn't agree with our investigator's view. He said that the Financial Conduct Authority states "*the borrower should be able to make the required payments without undue difficulty, whilst continuing to meet other debt repayment obligations*". Mr X said that the credit card was unaffordable and after making the repayments he is left with no money.

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.

Our approach to considering complaints about unaffordable and irresponsible lending is set out on our website. I've had this approach in mind when considering what's fair and reasonable in the circumstances of this complaint.

In summary, before providing credit, lenders need to complete reasonable and proportionate affordability checks. There isn't a set list of checks a lender is required to carry out, it just needs to ensure the checks are proportionate when considering things like: the type and amount of credit being provided, the size of the regular repayments, the total cost of the credit and the consumer's circumstances.

Before the credit card was provided, Capital One asked Mr X about his income, residential status, housing costs and dependents. He said he was employed with an annual income of £24,000, had no dependents, was living with parents and paying £200 a month housing costs. A credit check was undertaken, and this showed Mr X had one agreement with monthly repayments of around £281 and a balance outstanding of £337 suggesting the

agreement would be settled soon. He had two current accounts of which he was using his overdraft to near the limit on one. There was no adverse information noted as part of the credit check.

Having considered the credit check results, while this did show Mr X was using his overdraft, I do not find that this was enough to say that further lending shouldn't be considered or that further checks were required. Taking into account the credit limit provided, and the resulting repayments this would require compared to Mr X's monthly income, I find that the checks carried out were reasonable.

While I think proportionate checks were carried out that doesn't necessarily mean that the lending was affordable. I have looked at the information received through the checks to see what this shows.

Mr X's monthly income based on an annual salary of £24,000 would have been around £1,650. While I note the comments Mr X has made about his expenses, as I think in this case the checks undertaken before lending were reasonable, I do not find that Capital One was required to verify Mr X's expenses and instead it was reasonable for it to rely on the data it received through its checks. These showed Mr X as living with parents and paying £200 a month for his housing costs. He had another credit commitment costing £281 a month and an overdraft balance of £1,976. Considering the repayment amounts due on the Capital One credit card with a £1,500 credit limit, I do not find that the information received suggested this would be unaffordable.

I know my decision will be disappointing for Mr X but as I think the checks carried out before lending were reasonable and these showed the credit limit would be affordable for Mr X, I do not find I can uphold this complaint.

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 X to accept or reject my decision before 30 October 2023.

Jane Archer
Ombudsman