

Complaint

Mr D has complained about a credit card Capital One (Europe) plc (“Capital One”) provided to him.

He says that he’s been unemployed and dependent on state benefits for a number of years. So it’s clear inappropriate checks took place as he shouldn’t have been given the card.

Background

Capital One provided Mr D with a credit card with an initial limit of £500 in May 2023. Mr D wasn’t provided with any credit limit increases.

One of our investigators reviewed what Mr D and Capital One had told us. And he thought Capital One hadn’t done anything wrong or treated Mr D unfairly in relation to providing the credit card.

So he didn’t recommend that Mr D’s complaint be upheld. Mr D disagreed and asked for an ombudsman to look at the complaint.

My findings

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

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Mr D’s complaint.

Capital One needed to make sure it didn’t lend irresponsibly. In practice, what this means is Capital One needed to carry out proportionate checks to be able to understand whether Mr D could afford to repay any credit it provided.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to lend to a customer irresponsibly.

Capital One says it agreed to Mr D’s application after it obtained information on his income and carried out a credit search. And the information obtained indicated that Mr D would be able to make the low monthly repayment due on this credit card. On the other hand Mr D says that he shouldn’t have been lent to under any circumstances.

I’ve considered what the parties have said.

What's important to note is that Mr D was provided with a revolving credit facility rather than a loan. And this means that Capital One was required to understand whether a credit limit of £500 could be repaid within a reasonable period of time, rather than in one go. A credit limit of £500 required small monthly payments in order to clear the full amount owed within a reasonable period of time.

I've seen records of the information Capital One obtained from Mr D about his income and his credit history that was on the credit search carried out. The credit search did show that Mr D had a defaulted account. But the account defaulted around four and a half years previously and had been settled for some time.

So while I agree with Mr D that his defaulted account isn't irrelevant, its historic nature, in my view, meant that was less indicative of current financial difficulty or an outright inability to pay. And, in these circumstances, I think that this default was more something to be kept in mind by Capital One, which it appears to be have been here as Capital One only offered a low credit limit. Equally, Mr D didn't have much in the way of active debt at this stage.

Mr D says that Capital One recorded that he had a salary of £35,000.00 a year and that there was no way that this is correct. I don't know what happened here. It's possible Mr D declared this salary, or it's possible that there was some kind of error in terms of transferring the information that had already been gathered by the company Mr D used to search for a credit card.

Either way, given the low amount being lent here and the neither the credit searches Capital One carried out or the credit file Mr D has provided showing over-indebtedness, I don't think that Capital One needed to further verify what was in the information it had before lending.

I especially think that this is the case as given the amount being lent here Mr D's actual income is unlikely to have changed the outcome here either. I also say this while mindful of the fact that it is unlikely to have been proportionate or fair and reasonable to have dismissed Mr D's application out of hand simply because he was on benefits, without assessing whether what he was receiving was enough to repay what he owed.

I accept that Mr D says that his actual circumstances at the time were worse than what the information Capital One obtained showed. I'm sorry that to hear that Mr D has been unwell and that he has been unable to work because of this. That said, Capital One did not know about this. There wasn't anything in the application provided to indicate this. And, in any event, Capital One didn't have the authority or consent to obtain medical records on Mr D.

In my view, there wasn't anything immediately obvious in the information that Capital One had, including Mr D's existing indebtedness bearing in mind his declared income, which meant it should've asked Mr D to provide supporting evidence, such as bank statements, before providing him with a credit card in this instance.

Finally, I have also seen what Mr D has said about Capital One's phone calls. I'm sorry to hear he considers these calls threatening. I can certainly why he might perceive any attempts at contact to be worrying given he says he is unable to repay the balance. However, while I can understand why Mr D might not want to speak to Capital One in this situation, it was trying to find out more about his situation and what steps - it could take to help him repay this balance - it needed to in line with its obligations.

Mr D may prefer communication be made by other means and if this is the case, I would encourage him to not only make Capital One aware of this but also encourage him to co-

operate with reasonable enquiries in order to reach a long-term solution in relation to the balance that is owed.

Overall and having considered everything, while I can understand Mr D's sentiments and I'm sorry to hear about his situation, I don't think that Capital One treated Mr D unfairly or unreasonably. It carried out proportionate checks and reasonably relied on the information provided which suggested that the credit card was affordable. More recently it has also taken reasonable steps with a view to coming to arrangement in relation to the outstanding balance on the account.

Consequently I'm not upholding Mr D's complaint. I appreciate this will be very disappointing for Mr D. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mr D's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 12 January 2024.

Jeshen Narayanan
Ombudsman