

Complaint

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

He says the credit card was irresponsibly provided to him as Capital One should have realised that he shouldn’t have been lent to.

Background

Capital One provided Mr E with a credit card with an initial limit of £1,500.00 in August 2021. Mr E wasn’t provided with any credit limit increases.

One of our investigators reviewed what Mr E and Capital One had told us. And he thought Capital One hadn’t done anything wrong or treated Mr E unfairly in relation to providing the credit card. So he didn’t recommend that Mr E’s complaint be upheld. Mr E 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 E’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 E 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 E’s application after it obtained information on his income and carried out a credit search. And the information obtained indicated that Mr E would be able to make the monthly repayments due for this credit card. On the other hand Mr E says that he was already struggling and shouldn’t have been provided with this credit card.

I’ve considered what the parties have said.

What's important to note is that Mr E 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 £1,500.00 could be repaid within a reasonable period of time, rather than in one go. A credit limit of £1,500.00 required reasonable monthly payments in order to clear the full amount owed within a reasonable period of time.

Furthermore, I've seen records of the information Capital One obtained from Mr E about his income and that was on the credit search carried out. And this information doesn't in itself indicate to me that Capital One ought to have realised that Mr E didn't have the funds to make the monthly payment that would be required for this credit card.

I say this because while Mr E may have had a history of payday loans and there were a couple of defaults, the last of the defaults was from approaching a year previous. Mr E didn't have any active payday loans and the last of his loans of this type appears to have been in 2019. Mr E says that he was in a debt management plan at the time. But Capital One's credit checks don't appear to show this. Furthermore, Mr E didn't volunteer this information either.

Nonetheless, I do think that there is an argument for saying that what Capital One did know about Mr E's previous credit history did mean that it ought to have asked him for some information about his living expenses before agreeing to lend. That said, I don't think that obtaining further information on Mr E's actual living expenses would have made a difference to Capital One's decision to lend in this instance.

I say this because I've not been provided with anything that clearly shows me that when Mr E's committed regular living expenses and existing credit commitments were deducted from his monthly income, he did not have the funds, at the time at least, to sustainably make the repayments due under this agreement.

I accept that Mr E says that his actual circumstances at the time were worse than what the information Capital One obtained showed. And I also accept that it is possible that if Capital One had found out more about Mr E, it's possible, but by no means, certain that it may have reached a different decision.

But without clear evidence that doing more would have prevented Capital One from providing a credit card to Mr E in the first place, I simply don't have sufficient evidence to reasonably conclude that this is the case. I don't agree that the information Capital One saw on Mr E's credit file, in itself, clearly demonstrates that it ought to have realised that it would have been increasing his indebtedness in a way that was unsustainable or otherwise harmful.

So overall while I can understand Mr E's sentiments, I don't think that Capital One treated Mr E unfairly or unreasonably when providing him with his credit card. And I'm not upholding Mr E's complaint. I appreciate this will be very disappointing for Mr E. 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 E's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 6 February 2024.

Jeshen Narayanan

Ombudsman