

## **The complaint**

Mr B complains that Capital One (Europe) plc (“Capital One”) lent to him irresponsibly.

## **What happened**

Mr B applied for a credit card with Capital One in July 2018. The credit card account was opened with a credit limit of £750 which was increased to £1,000 in January 2019. In March 2019 Mr B opened another credit card account with Capital One with a credit limit of £300. The two cards were later consolidated, providing a single account with a credit limit of £1,300.

Mr B says that Capital One shouldn't have provided him with the credit. He says it didn't take account of his financial situation at the time and that Capital One didn't check it was affordable for him. He says he has experienced financial difficulties as a result of the borrowing.

Our adjudicator partially upheld Mr B's complaint. They thought Capital One shouldn't have increased Mr B's credit limit beyond £750. Capital One didn't agree, so it asked for an ombudsman to review the complaint.

When I reviewed Mr B's case I came to a different outcome to our adjudicator. I wrote to both parties to explain this and invited each party to provide any more information they wanted me to consider before I made my final decision.

Neither party responded, so I see no reason to alter my provisional findings.

## **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.

We've set out our general approach to complaints about unaffordable and irresponsible lending - including the key relevant rules, guidance and good industry practice - on our website and I've taken that into account when considered Mr B's complaint.

Having done so, I don't think Capital One acted unfairly and lent to Mr B irresponsibly. I'll explain why I've reached this conclusion.

Capital One needed to take reasonable steps to ensure it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mr B could afford to repay what he was being lent in a sustainable manner. These checks could take into account a number of different things, such as how much was being lent, the repayment amount, Mr B's borrowing history and his income and expenditure.

Capital One has shown that it gathered information about Mr B's financial situation before it gave Mr B the first credit card. It also completed some credit checks, although the

information it provided about the results of those checks is very limited. I can see that Capital One noted that Mr B had an outstanding hire purchase agreement for which he was paying £153 a month and he had a small unsecured loan he'd taken out in May 2018 – just before he applied for the first account. That unsecured loan had repayments of £20 a month.

I note that there was a default on Mr B's credit history of £75. From other information I can see that this was in relation to another Capital One credit card account which he had recently settled and closed and where he had made no payments towards the outstanding amount for a total of six months out of the preceding nine months. That information alone means I think Capital One ought to have made further checks before it lent to Mr B. I think it ought to have at least asked Mr B about his income and expenditure.

While I can't know for certain what Mr B would have told Capital One had it asked about this, I think it's reasonable to think his bank statements from the time ought to provide a good indication of his circumstances.

Our adjudicator noted a committed expenditure of around £303 a month, with an income of around £1,245 a month. On this basis, our adjudicator considered that if Mr B made sustainable repayments towards his credit card, even if he used all of the available credit, that he would have been comfortably able to meet the repayments.

Our adjudicator considered that similar checks ought to have been completed at the point of the increase in January 2019. I agree. In the month before Capital One increased Mr B's limit, he had exceeded his credit limit and missed a repayment. Given that at this point Capital One still didn't have reliable information about his income and expenditure I think Capital One ought to have sought that information. In our adjudicator's assessment they calculated that Mr B was spending more on his committed expenditure than he had received each month in income.

I found Mr B's bank statements difficult to read, so I asked for new copies. Having reviewed those copies I have not been able to identify such a high level of committed expenditure (that is, expenses like rent, mortgage, utility bills, food, transport and council tax). The figures relied on for the assessment of Mr B's circumstances at the point of account opening are roughly the same. However, the figures for the two months leading up to Mr B's first credit limit increase to £1,000 and the two months leading up to the additional £300 of credit which was provided in March 2019 when he took out a second card, do not appear to reflect those initially assessed by our adjudicator.

The bank statements show that Mr B had at least £900 disposable income each month, meaning that on the basis of the information I have, I think both of the credit limit increases (in January and March 2019) were likely to be affordable and he would have been able to make repayments on a sustainable basis even if he utilised all of the credit.

So, if Capital One had made the checks on Mr B's income and expenditure that I think it ought to have done, I don't think it would have made a different decision about providing Mr B with the credit because I think those checks would have shown it was affordable for him. That means I don't think Mr B lost out as a result of anything Capital One did wrong.

I can see from the bank statements that there are transfers to another personal bank account. I can also see from Mr B's credit file that he had at least one other current account during the period he held the Capital One card. It may be that Mr B's essential expenditure was paid from that account, but Mr B hasn't provided these, so I can't be sure.

On the information I have I am not satisfied that Capital One acted unfairly in lending to Mr B or increasing his credit limit and so I don't think Mr B lost out as a result of anything Capital One did wrong.

### **My final decision**

I don't think Capital One (Europe) plc acted unfairly when it lent to Mr B. I don't think Mr B lost out as a result of anything Capital One (Europe) plc did wrong. It follows that Capital One (Europe) plc doesn't have to do anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 30 November 2023.

Sally Allbeury  
**Ombudsman**