

The complaint

Mr M complains that Capital One (Europe) plc refunded him £1,000 even though he was already in arrears and well over his credit limit. He said this was completely irresponsible and plunged him further into financial difficulties.

What happened

Mr M called Capital One in July 2023 advising that he had paid £1,100 in error via the App on his credit card and that he had only wanted to pay £100 and requested a refund. The call handler explained that he was over his credit limit of £1,500 and owed £1,869.

Capital One said it told Mr M he was over his credit limit by £369 before making the refund of £1,000, which put his account further over the credit limit. Capital One didn't apply a late payment marker to Mr M's credit file until August 2023. Mr M said his payments to Capital One have since been up to date, but this is to the detriment of his other credit commitments.

Mr M complained to Capital One that he couldn't understand why it would make the refund without asking questions when he was already over his credit limit. Mr M said his credit file will be adversely affected for the long term and it will take him a long time to repay the money. Capital One said on its call with Mr M on 25 July 2023 it agreed to refund £1,000 but was sorry its agent didn't fully explain the consequences of this. Capital One said it did explain the refund would take Mr M over his limit, but not that it would put him back into arrears. Capital One apologised to Mr M and paid him £100 compensation.

Mr M wasn't satisfied with this response and referred his complaint to our service. He said he should be paid more compensation for his time and for Capital One's poor service.

Our investigator didn't recommend it be upheld as she thought Capital One had acted in accordance with the rules. She said Mr M's credit file showed another commitment over its credit limit when he called Capital One, and another showed a late payment marker in October 2023. So, she disagreed with Mr M that the refund he requested was the sole factor in the adverse effect on his credit file and so Capital One shouldn't be held accountable.

The investigator said Capital One has to protect consumers, but customers have to use their credit facility in accordance with its terms and conditions. She said Capital One compensated Mr M for not specifically saying he would be placed further into arrears. But there was nothing to indicate that by allowing the refund Mr M would be placed in considerable financial difficulties. She said there was a delay in Capital One's response to Mr M's request for a refund, but this was due to it following its authorisation procedures.

Mr M disagreed with the investigator and requested an ombudsman review his complaint. He said Capital One was extremely irresponsible in refunding the money to him, particularly as it blocked his account at about the same time.

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.

Capital One upheld Mr M's complaint because it didn't explain to him that his refund would put him back into arrears, it apologised for the inconvenience of this and paid him £100

compensation. I have looked at Capital One's handling of Mr M's payment and what followed to see if it has treated him fairly.

The first point to make is that Mr M requested the refund that he said had caused him long-term financial difficulties. And Capital One responded to Mr M's calls to action the refund.

Mr M said Capital One should have refused his request as the refund put him well over his credit limit. He wants to be 'majorly compensated for this error'. I've listened to the call of 21 July 2023 and note Capital One's agent told Mr M he was over his credit limit, and he said that he intended to pay it all back by the end of the month. I agree with the investigator that there was nothing to indicate that by allowing the refund Mr M would be put into considerable financial difficulties, although obviously his credit limit became further extended at that time.

Since his complaint, Mr M has said that he wasn't aware how high his balance would go in respect of the refund. However, during the call Capital One's agent explained clearly how much Mr M owed, and I don't think this was a difficult calculation. From the information Mr M was provided on this call, I think he ought reasonably to have understood how his credit card worked and its position with regard to his credit limit. In addition, Mr M's credit file, which he has provided, shows he has had various credit facilities over the years and so his Capital One account is not solely linked to his financial situation.

I am sorry to see that Mr M may have to borrow more money to get his account balance under its limit. I agree with the investigator that Mr M ought reasonably to have known that receiving the refund outside of his credit card would place him further into arrears. It follows from this that it would not be fair to put responsibility for his position on to Capital One.

I am pleased that Capital One apologised that its agent didn't explain to Mr M that the refund would put him back into arrears. Capital One paid Mr M £100 compensation and I think this is fair in the circumstances.

Mr M said there are clear inconsistencies between our response to Mr M's present complaint and another that he has brought to our service. We consider each complaint on its individual merits, and I have considered Mr M's other complaint separately and written to him about this with reasons as to any perceived difference in approach.

My final decision

For the reasons I have given it is my final decision that the complaint is not upheld.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 8 March 2024.

Andrew Fraser
Ombudsman