

The complaint

Ms T says Capital One (Europe) plc irresponsibly lent to her.

What happened

Ms T applied online for a credit card in January 2022. Capital One approved her application and gave her a £500 credit limit. Ms T says it did not complete enough checks before lending and she is now in extreme financial hardship.

Capital One says it carried out appropriate checks before lending.

Our investigator did not uphold Ms T's complaint. He said Capital One's checks were proportionate and did not show any signs the credit would be unaffordable for Ms T.

Ms T disagreed and asked for an ombudsman's review. She said there was no way her annual income was £46,000 – it was £4,600. She sent in a tax return, albeit for the subsequent tax year. Ms T said she has ADHD and dyslexia and can get confused with numbers. Capital One ought to have checked her income. Also she did not receive the email request it sent asking for bank statements after she complained.

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 will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint about unaffordable and irresponsible lending. So, I don't consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

To decide if Capital One lent responsibly I need to consider if its checks were proportionate; if not, what would better checks most likely have shown; then did it make a fair lending decision; and finally did it treat Ms T unfairly in some other way.

I can see Capital One reviewed certain information before lending to Ms T. It asked for her gross annual income, employment status and occupation. It asked for her residential status and mortgage costs. It carried out a credit check to understand Ms T's existing credit commitments and credit history. It has shared the results of these checks. It says it also considered Ms T's living costs based on national statistics but it has not shared this data. Based on the results of these checks combined Capital One concluded the credit would be affordable for Ms T.

Given the amount of credit Capital One offered to Ms T – and the cost of a monthly repayment (that would allow Ms T to repay the full limit in a reasonable period of time) relative to Ms T's declared income - I think these checks were proportionate.

This means I need to now consider if Capital One made a fair lending decision based on the

results of the information it gathered.

Ms T declared an annual income of £46,000 giving a net monthly income of around £3,000. And housing costs of £125. Her declared mortgage cost could be seen to be largely accurate on the credit check Capital One completed (£123). This also showed Ms T had £18,005 of unsecured debt: she had a loan balance of £11,352 and the remainder was on credit cards. Her revolving credit utilisation was low at 32% and she was not spending a high proportion of her declared income on her existing credit commitments. Nor was there was not a significant amount of adverse data on Ms T's file. So in the round I think it was reasonable for Capital One to extend a credit limit of £500 to Ms T.

Ms T argues that her income was in fact £4,600 so the credit was not affordable. She has explained that her disabilities can create number confusion for her. But I have not seen any evidence that Capital One was on notice of this when she applied – it seems it was only at the point she complained that Ms T told Capital One. So I cannot reasonably expect it to have taken this into account when assessing Ms T's application.

I also can't see there were any indications in the data it gathered that there might have been such an income discrepancy. Rather, from the level of Ms T's existing commitments and her occupation I find it was credible she was earning at the level she declared. And given the amount of credit offered I do not think it would have been proportionate for Capital One to have carried out a fuller financial review, looking at things like bank statements. Ms T raised that she had not received the lender's email request for bank statements after she complained. But as I have not found the lender ought to have carried out such a review prior to lending, the fact it was not able to do so retrospectively has no bearing on my findings.

In summary, I do not think Capital One was wrong to give the card with its £500 limit to Ms T.

Did it treat Ms T unfairly in some other way?

I haven't found any evidence that it did. I would however expect it to now discuss with Ms T whether she requires any reasonable adjustments to be made in light of her disclosed disabilities.

My final decision

I am not upholding Ms T's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms T to accept or reject my decision before 16 May 2024.

Rebecca Connelley
Ombudsman