

The complaint

Mrs W says that Capital One (Europe) plc irresponsibly lent to her.

What happened

Mrs W took out two credit cards from Capital One. Card 1 was opened on 12 April 2017 with a £750 credit limit. Card 2 was opened on 17 August 2018 with a £200 credit limit.

Mrs W says Capital One's checks were insufficient, she was struggling and had lots of other credit cards. It then failed to offer any support when she had financial difficulties.

Capital One says it carried out appropriate checks before lending. It also initially said we could not consider card 1 due to the complaint time limits this service must follow but our investigator explained why we could and so Capital One provided information about both accounts.

Our investigator did not uphold Mrs W's complaint. He said Capital One's checks were proportionate and its lending decisions were fair. He was also satisfied that Capital One followed the relevant procedures to help Mrs W when she was struggling.

Mrs W disagreed. She said Capital One would have seen two defaults from early 2015 on her credit file; she was reliant on her overdraft so the credit was not affordable; when she was overlimit it was because she was in financial difficulties and Capital One missed this; similarly it did not react when she was only making minimum payments; and finally Capital One only accepted reduced payments after she entered a Debt Management Plan – it wasn't its initiative. After our investigator responded explaining why these points did not change his view Mrs W raised the following additional points. She said there was no missed payment in June 2019 and sent evidence PayPlan made a payment to Capital One of £14.06 on 8 June, and of her 2015 defaults.

Mrs W asked for an ombudsman's review.

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.

I have thought carefully about all of Mrs W's points. But in keeping with our role as in informal dispute resolution service, and as our rules allow, I will focus here on the issues I find to be material about the outcome of Mrs W's 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 Mrs W unfairly in some other way.

I can see Capital One reviewed certain information before lending to Mrs W on both occasions. It asked for her gross annual income, employment status and occupation. It carried out a credit check to understand Mrs W's existing credit commitments and credit history. At the time of the second application it also considered how Mrs W was managing card 1. It has shared the results of these checks. It says it also considered Mrs W's housing and 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 Mrs W.

Given the amount of credit Capital One offered to Mrs W in both 2017 and 2018 – and the cost of a monthly repayment (that would allow Mrs W to repay the full limits in a reasonable period of time) relative to Mrs W's declared income - I think these checks were proportionate.

This means I need to now consider if Capital One made fair lending decisions based on the results of the information it gathered.

Card 1

Capital One understood Mrs W had a net monthly income of £1,364. The credit check showed she had debts of £22,509. All her active accounts were up-to-date and her credit utilisation on her revolving account (mail order) was less than 50%. She was not using her overdraft facility. Mrs W has evidenced she had two defaults from 2015 but these did not show on this credit check. This can be because not all lenders report to all the agencies, but I can only fairly expect Capital One to respond to the data its checks returned. So I don't think there were any indications that the amount of credit Capital One approved for Mrs W would be unaffordable for her.

Card 2

Capital One understood Mrs W had a net monthly income of £1,770. The credit check showed she had debts of £21,042. All her active accounts were up-to-date, I note she now had three credit cards but the utilisation was not concerningly high at 66%. She was still not using her overdraft facility. On this check the two historic defaults from early 2015 were visible. But I don't think given the very low limit offered here that they would be a reason to decline Mrs W's application – they were over 36 months old, one was settled in full and the other was part repaid. So again I don't think there were any indications that the amount of credit Capital One approved for Mrs W would be unaffordable for her.

Mrs W has sent on copies of her bank statements showing her ongoing use of an overdraft. But both credit checks showed she had a facility of £500 she was not using it. And as I said previously I can only fairly expect Capital One to respond to the data its checks returned. It would not have been proportionate in the case of either application for Capital One to carry out a fuller financial review and to have reviewed Mrs W's bank statements.

It follows I do not find Capital One was wrong to give either credit card to Mrs W.

Did Capital One treat Mrs W unfairly in some other way?

Mrs W says Capital One did not support her when she was struggling financially. But I cannot see from the account notes that she requested support, prior to the contact via PayPlan. Mrs W argues Capital One ought to have intervened after she made multiple

minimum payments, but a customer paying the minimum amount required under the agreement is not, by itself, a sign of possible or actual financial difficulties.

Mrs W also says she did not miss a payment in June 2019 and whilst I can see from her evidence that a partial payment of £14.06 was made by PayPlan on 8 June 2019 (crediting her account on 11 June) the due date for that payment was 4 June 2019 and the amount due £25.43.

I can see from correspondence Capital One submitted that it then agreed to a payment plan which finished in September 2019 as the account was brought up-to-date, and then to a longer-term arrangement in November 2019 after the account fell into arrears again.

So, overall, I cannot fairly conclude that it failed to treat Mrs W fairly and with forbearance.

My final decision

I am not upholding Mrs W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 16 May 2024.

Rebecca Connelley
Ombudsman