

The complaint

Mr M complains that MBNA Ltd (MBNA) were irresponsible in approving his application for a third credit card.

What happened

In December 2016 Mr M applied for and obtained a credit card with MBNA. This was his third card with them, and I shall refer to it as that. Mr M says at that time it would have been clear from his transaction history and credit file that he was making gambling transactions on two other cards he held with MBNA; that he was close to the credit limit on both, and he had received over limit charges for both.

In addition, he states he had another credit card account with another provider which was at its limit and an overdraft on each of his two bank accounts.

MBNA feel they correctly assessed his application, considering the information from Credit Reference Agencies and other information they held about Mr M. So, they didn't believe they had acted unfairly.

Mr M was unhappy with MBNA's final response and so approached this service to see if we could assist in resolving the dispute. One of our investigators looked into the complaint but didn't think MBNA had done anything wrong. Mr M didn't agree and asked for the complaint to be passed to an Ombudsman for a final decision.

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.

In the circumstances here, the relevant rules and guidance say that MBNA was required to assess whether Mr M was able to repay any borrowing in a sustainable manner. Those rules and guidance are found in the Financial Conduct Authority's (FCA) Consumer Credit sourcebook, along with best practice guidance from other organisations. They require businesses to undertake a reasonable assessment of a customer's creditworthiness before entering into a credit agreement and that they are also to have regard to the affordability of such credit. They should also consider how any increase in credit may adversely impact a customer's financial situation, by taking into account;

- the information it already has about the customer at the time of the increase.
- the ability of the customer to make repayments as they fall due.
- information obtained from a credit reference agency, and review the
- information on a consumer's credit file plus any one of these three:
 - 1) the customer's income and financial commitments.
 - 2) how they have handled their finances in the past.
 - 3) internal credit scoring techniques.

MBNA say they completed various checks, including affordability and indebtedness checks before approving Mr M's application. They say their decision to offer credit was based on the information supplied by Mr M, data from the credit reference agencies and their own risk strategies.

Mr M's application for the third card shows he had an annual income of £27,000 and that he was living with his parents. It follows that he would probably have fewer financial commitments than if he was living in his own accommodation.

The credit searches undertaken at the time Mr M applied for his third card show his total borrowing, including that from outside sources, was £11,771 on credit cards when balanced against a limit of £13,400. MBNA have said that the information available on Mr M's credit file gave no indication of financial difficulty or over indebtedness. So overall here, I'm satisfied that by assessing Mr M's income and expenditure as it did, alongside looking at his credit file – MBNA would have thought that this increase was affordable to Mr M.

But Mr M says that MBNA should've been aware that he was gambling using the card and that it shouldn't have lent for this reason. So, I've looked at whether there was any other reason here that MBNA shouldn't have increased the limit.

Mr M also had two other accounts with MBNA, ending 86 and 52. I've looked at the statements for both and they show that in July 2016 Mr M gambled on two days. On the 8 July he spent £125 on a/c 52 and £100 on account 86. He spent another £100 on account 52 on the 9 July. In that month, he went over his limit on both cards incurring fees.

In August Mr M gambled once, spending £50 on 4 August on account 52. That month he incurred over limit fees on both accounts. In September Mr M gambled once spending £25 on account 52 on 2 September and again incurred over limit fees for both accounts that month.

But the statements for October and November show that in those months he was within his credit limit on both accounts and had paid more than the minimum amount each month. Mr M had four further gambling transactions on his cards on 29 December totalling £400 but wasn't over limit on either account.

So, looking at the total amount gambled over the period July to the end of the year it totals £800, and that was on five different days. Circumstances can arise which could lead to a card provider being alerted to the fact that a customer may be in some financial difficulty and for them to be proactive in trying to help. But I don't think MBNA would've necessarily thought that this was the case in the individual circumstances here. I haven't seen anything which shows that Mr M told MBNA he had a problem with gambling, and it didn't come to light as part of their checks. So, I don't think from that I could say that it was reasonable to expect MBNA to have known Mr M had a problem based on the conduct of his account alone.

I've considered the over limit fees applied in July, August and September. I haven't seen any evidence that Mr M told MBNA that he was struggling to maintain payments, and in fact the evidence shows he was able to bring his accounts back up to date and made more than the minimum payments. That indicates he was able to financially manage the accounts.

I've also taken account of the fact that Mr M's statements show that he was using the account from time to time to withdraw cash. That can be a sign of financial difficulties, as by doing this, the interest associated with the facility can be high. But Mr M wasn't using this at a frequency that I think would have alerted MBNA that he may have been experiencing

difficulties here. Some months he would use it once or twice, other months he wouldn't use it at all. It may be that he was withdrawing cash or transferring money to fund gambling elsewhere, but I don't see how MBNA could have known that without Mr M telling it.

But overall here, I'm satisfied MBNA did consider his entire indebtedness and his wider circumstances in deciding to lend, and so I think having done so they acted reasonably. So, I'm satisfied that MBNA have not lent to Mr M irresponsibly.

My final decision

For the reasons set out above I do not uphold the complaint against MBNA Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 4 January 2021.

Jonathan Willis

Ombudsman