

The complaint

Mr P is unhappy that MBNA Limited allowed him to increase his credit limit and to make money transfers. He said the card was unaffordable.

What happened

Mr P took out a credit card with MBNA. This had a 0% promotional rate on money transfers for the first 20 months. His credit limit was £4,200. About six months later, MBNA increased the credit limit to £5,500 at Mr P's request. Over the following four months, Mr P made six requests to increase his credit limit, but MBNA declined these requests. During the time Mr P had the credit card, MBNA also approved several money transfer requests, totalling thousands of pounds.

Mr P complained to MBNA that it didn't carry out sufficient checks before accepting his application. He said that, had it done so, MBNA would have identified that the credit card was unaffordable due to his income and expenditure. As a result of the money transfers and the credit limit, his mental health had deteriorated, he had to borrow money from a range of people and his credit rating had been negatively affected. He wanted the interest refunded that he had been charged.

MBNA replied and said that Mr P was accepted for the credit card based on the information that he had provided and checks with external credit reference agencies. It said that if Mr P had wanted to reduce his credit limit, he could have asked MBNA to do this, but it had no record of him making contact.

Mr P complained to this service. Our investigator didn't uphold the complaint. She said that MBNA had carried out appropriate checks when it accepted his application and increased his credit limit and the money transfers were within his credit limit.

As Mr P did not agree, the complaint has been referred to me.

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 cases like this, when someone thinks they've been lent to irresponsibly, we look at the checks the business carried out when it made its decision to lend and also whether those checks were proportionate.

In Mr P's case, MBNA said that it looked at his income and the level of debt, which was relatively low. There was also no adverse data on his credit file. MBNA said that based on this, it acted appropriately in approving the application and providing that credit limit.

I have looked at that information as well to see whether I think the checks were proportionate and if they showed cause for concern. Looking at Mr P's credit file, this shows that the various financial products he had both at the time of applying for the MBNA credit card and

when the credit limit was increased were in good order. Based on this and the other information MBNA considered, such as Mr P's income, I think the level of checks MBNA carried out were proportionate to the level of credit offered and that they didn't indicate that there was a need to ask more questions before deciding to approve Mr P's credit card application.

I've also looked at the information available to MBNA when it approved Mr P's request to increase his credit limit. This was about six months after he took out the card. Looking at Mr P's credit file, again, I think this shows a positive picture of his finances and didn't highlight any areas of concern. By this point MBNA also had information on Mr P's credit card use. Looking at this, it showed that Mr P had a number of money transfers very shortly after receiving the card, totalling several thousands of pounds, but paid these back promptly. He then either had a very low balance or a zero balance on his card for a few months.

The month before Mr P's credit limit increased, he again had some money transfers and there were a couple more in the same month that his credit limit increased. But given that he had money transfers previously, which he paid back promptly, and he remained within his credit limit with these new money transfers, I can't see that this would have been a particular cause for concern. So, I don't think Mr P's credit card use since he took out the card would have suggested to MBNA that it should ask further questions or caused it to think Mr P would be likely to face problems if his credit limit was increased.

Mr P is also unhappy that he was approved for money transfers. I asked MBNA how it made decisions on money transfers. It said that until February 2019 requests for a money transfer were not subject to any approval if the customer was within their credit limit. However, after February 2019, money transfer requests required further approval by MBNA.

As I've said above, Mr P requested several money transfers in the first few months of having the credit card. This was before MBNA introduced additional checks. The money transfers totalled several thousands of pounds. Mr P paid off the first money transfers very promptly but after that usually only made the minimum payment on the account towards any outstanding balance.

MBNA said that from February 2019, when money transfer requests needed additional approval, all of Mr P's requests were approved, that his account was well managed and he met his monthly minimum payments, occasionally paying considerable sums. I have looked at Mr P's credit card statements and agree that the account seems to have been well managed and that there were no obvious signs of problems or hardship.

From March 2019 to August 2019, Mr P requested multiple money transfers - and sometimes several in the same month. During this period, he made two large payments to his credit card account that significantly reduced the amount he owed as a result of the money transfers. However, in September 2019, the month following the final money transfer, Mr P went over his credit limit and remained over the limit for a few months before making a large payment paying off the majority of the balance.

Mr P has said that if MBNA had carried out additional checks when he applied for these money transfers that it would have realised that it shouldn't have approved them. Looking at Mr P's credit file, I can see that he took out a number of loans during this timeframe. However, MBNA didn't need to carry out credit checks as part of considering an application for a money transfer. This is because the money transfer was making use of the credit limit for which Mr P had already been approved, rather than offering him an additional level of credit.

Mr P has also said that MBNA should have been aware that he was using the money transfers for gambling and provided his bank statements as evidence of this. But, MBNA wouldn't have had access to the details of Mr P's spending on his bank account because it was with another bank.

MBNA also provided phone calls from when Mr P requested some of the money transfers. I've listened to the calls and the call handlers asked Mr P if he had any issues for which he required support and he said he didn't. The call handlers also specifically said that money transfers weren't suitable to pay for gambling. Mr P didn't comment on this beyond saying that he wanted to proceed.

As part of thinking about this, I'm also mindful that finance providers don't need to ask what a money transfer is for and even if they did, they are not necessarily aware of what the money is then actually used for, which might turn out to be something else. In this case, my view is that MBNA provided appropriate information and advice about money transfers, including asking if he needed any support and saying that the transfers shouldn't be used for gambling. Having done so, Mr P didn't raise any concerns, including any financial difficulties, and said he wanted to go ahead with the money transfers.

So, having thought about all of the above, I think that MBNA carried out appropriate checks both when Mr P opened the account and when he asked to increase the credit limit. In addition, when Mr P requested the money transfers, I can't see that there was any indication that these shouldn't proceed and that, when MBNA introduced additional checks, Mr P was given appropriate information about their use, including that they shouldn't be used for gambling. It therefore follows that I don't uphold this complaint or require MBNA to do anything further.

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 P to accept or reject my decision before 19 October 2020.

Louise O'Sullivan
Ombudsman