

The complaint

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

What happened

In March 2017 Mr H applied for and obtained a credit card with MBNA. He was given a £1,500 credit limit. He has said that at that time he had a compulsive gambling problem and large debts which included short term payday loans. He feels that the credit card was unsuitable and put him in further debt.

MBNA said it correctly assessed his application based on the information Mr H provided and with information it obtained from Credit Reference Agencies (CRA). It thought that it had appropriately considered both the approval of the application, and the credit limit initially granted. As such it didn't believe it had acted unfairly or that it had been irresponsible.

Mr H 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 H 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.

We've set out our approach to considering unaffordable and irresponsible lending complaints on our website - including the key relevant rules, guidance, good industry practice and law. And I've considered this approach when deciding Mr H's complaint.

When someone complains about irresponsible and/or unaffordable lending, I consider whether the lender completed reasonable and proportionate checks to satisfy themselves that their borrower would be able to make repayments in a sustainable way. And if reasonable and proportionate checks weren't carried out, I think about whether the credit would've been approved if the checks had been done. I also consider if the lending decision was fair and if the lender acted unfairly or unreasonably in any other way.

The Financial Conduct Authority's (FCA) guidance at the time Mr H took out his credit card in 2017 can be found in the FCA handbook at the section marked [CONC 5.2]. This says that before making a regulated credit agreement (as was the case here) a business such as MBNA was required to undertake an assessment of the creditworthiness of its customer.

Further, the assessment had to be based on sufficient information from the customer where appropriate and a credit reference agency, where necessary.

CONC 5.2.4(2) provided that a business should consider what is appropriate taking into account the type and amount of the credit and the risks to the customer of the credit not being sustainable. And CONC 5.2.4(3) gives an indication of what a lender might (my

emphasis) look at in its creditworthiness assessment depending on the circumstances, which could include some or all of the following: -

- its record of previous dealings;
- evidence of income;
- evidence of expenditure;
- a credit score;
- a credit reference agency report; and
- information provided by the customer.

The relevant circumstances which arise in Mr H's case are that on his application form he declared his annual income to be £26,500. MBNA carried out a credit search at the time, which showed Mr H had personal loans and debts of about £14,000. He also had a credit card with a balance of about £310. The credit search showed Mr H didn't have any payday loans at that time as he subsequently thought.

It is true that Mr H did obtain further credit after he applied to MBNA for his credit card, but this can't have any bearing on MBNA's decision whether or not to lend to him since it post-dates that point in time.

MBNA has said that there was nothing revealed in Mr H's credit check which could have alerted it to the fact that granting Mr H £1,500 in credit might be unaffordable to him. And bearing in mind that the amount of credit was modest, I'm satisfied that there weren't any other reasonably proportionate checks MBNA could have carried out.

I've checked to see whether MBNA was aware that Mr H had a gambling problem but there is no evidence that it was. So, as Mr H didn't tell them about his gambling problem it couldn't have known.

I accept that Mr H's financial position may well have been worse than the credit check showed or worse than the information he disclosed to MBNA revealed at the time. And it is possible that further checks might have told MBNA this. But MBNA was entitled reasonably to rely on the information from Mr H and the credit check it carried out. Given there wasn't any adverse information shown on the credit check, and the amount of credit being advanced was relatively low, I think MBNA's checks went far enough.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 23 August 2021.

Jonathan Willis
Ombudsman