

The complaint

Mr C complains that MBNA Limited irresponsibly allowed him to open two credit card accounts that were unaffordable.

What happened

Mr C says he opened the first MBNA account in 2015 and at the time had significant debts. He says he told MBNA about his financial difficulties in 2016 but it allowed him to open a new account in 2018 with an unaffordable credit limit of £6,000. Mr C says the accounts were unaffordable, the lending irresponsible and the debt caused health issues. He would like the charges and interest refunded as well as adverse information removed from his credit file. He would also like 8% interest paid on that refund.

MBNA says it carried out appropriate checks on both accounts. It says the first account was opened in 2015 with a credit limit of £6,700 and Mr C had an income of £26,000 a year with unsecured debt of about £8,000. MBNA says Mr C did tell it about financial difficulties in early 2016 but he repaid the debt shortly after that. It says the second account was opened in 2018 with a credit limit of £6,000 and at that stage Mr C had an income of £28,000 a year and his unsecured debt was about £12,000. MBNA says there was no adverse information on Mr C's credit file, and he repaid that debt.

Mr C brought his complaint to us and our investigator didn't uphold it. The investigator thought MBNA had carried out appropriate checks on both applications and considered both accounts were settled in full and that Mr C didn't have any adverse information on his credit file at the relevant time.

Mr C doesn't accept that view and says he was forced to sell his house as a result of the unaffordable lending and that he told MBNA about his financial difficulties, but it allowed him to open a second account.

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.

Having done so I have come to the overall view that I don't uphold this complaint. I appreciate Mr C will be disappointed by my decision.

Lenders and credit providers should carry out proportionate and reasonable checks on any lending or credit application. Those checks will of course vary depending on the type of lending and the amount. I am looking here at a credit facility rather than for example a loan or mortgage.

I have looked at Mr C's first application in 2015 and can see he declared an income of £26,000 with what I think was a relatively low amount of unsecured debt of about £8,000. I can see that MBNA carried out checks on the application and considered the lack of adverse information on Mr C's credit file. So, I'm satisfied MBNA carried out reasonable and

proportionate checks on Mr C's application and that the lending was on the face of it affordable. I can see that in 2016 Mr C told MBNA about his financial difficulties but can also see that shortly after that date Mr C repaid the full balance. I think that provides additional evidence that the credit facility was on balance affordable at the time of the application.

The second application was made some two years after the first account was closed. I can see that Mr C was earning £28,000 and his unsecured debt had also increased to about £12,000. I think the unsecured debt although higher in 2018 was not significantly high enough to justify further checks on the application or cause concern. And I think MBNA was entitled to consider that the first account had been settled even if Mr C had told it about financial difficulties two years before. I'm satisfied that MBNA fairly carried out reasonable and proportionate checks on the second application and fairly considered the lack of adverse information on Mr C's credit file. So, I don't think the second account was unaffordable or the lending decision irresponsible.

I appreciate that Mr C says he was forced to sell his house and suffered health problems and I am sorry to hear about that. But I can't fairly hold MBNA responsible for what took place in circumstances where I find the credit facility was appropriately checked for both accounts. I think on balance it likely that Mr C's financial position deteriorated after the 2018 account was opened and that MBNA couldn't have known that when it approved the accounts. For those reasons I can't fairly uphold this complaint and order that MBNA do anything further in the circumstances.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 19 June 2021.

David Singh
Ombudsman