

The complaint

Miss B complains that MBNA Limited irresponsibly increased her credit card account limit to unaffordable levels.

What happened

Miss B says she asked MBNA for payment breaks which were approved but when they ended, she was paying nearly double her previous amount. She says MBNA hasn't offered a solution such as converting her debt into a loan and would like it to freeze any interest. Miss B says the credit limit was increased on two occasions which was irresponsible, and the amounts were unaffordable.

MBNA says the account was opened in 2017 with a credit limit of £5,600. It says the credit limit was increased in June 2018 to £7,500 and Miss B applied to increase the limit in January 2019 to £10,000 which it approved. MBNA says it refused a further application from Miss B in July 2019. It says it did carry out appropriate checks on the increases and took into account Miss B's account management and lack of adverse information on her credit file.

Miss B brought her complaint to us and our investigator upheld the complaint. The investigator thought Miss B had used the account for a balance transfer, only made minimum payments and used most of her credit limit. She thought in those circumstances further checks ought to have been carried out. The investigator recommended interest and charges be refunded over and above the initial credit limit but thought MBNA wasn't obliged to agree a loan and acted positively and sympathetically to Miss B's position.

Miss B accepts that view, but MBNA doesn't. It says Miss B's other debt levels were low and she took advantage of the zero-interest rate. It also says Miss B was entitled to make close to minimum payments.

I asked Miss B for copies of her account statements from the time of the credit limit increases which she has provided. She has also provided her credit file which has a score at the time of production of 842 out of 1000.

My provisional decision

I issued a provisional decision on this complaint.

I came to the provisional view that MBNA's lending was not irresponsible or unaffordable. And that it was difficult to see what further checks it could reasonably have carried out or what those further checks would have shown which would have led it to conclude the increases were inappropriate and unaffordable.

I explained that lenders and credit providers should carry out reasonable and proportionate checks on any lending or credit application. Those checks will of course vary depending on the type and amount of that lending. This was an application for a credit facility rather than for example a mortgage and so I said I wouldn't have expected MBNA's checks to have

been as detailed as for that type of lending. But of course, checks must be still be carried out to ensure any lending is affordable and sustainable.

I said there was no complaint here from Miss B about the original lending and so I didn't comment on the opening of the account in 2017. I could see that Miss B took advantage of the promotional interest rate which appears to have expired in December 2020.

I looked at MBNA's records and saw that it did carry out checks on both credit limit increases. I could see that it considered Miss B's credit file, her account management and her other debt. I also looked at Miss B's credit file, account statements and at her bank statements from one of her accounts. I could see that Miss B didn't have any adverse information on her credit file such as defaults, arrears or late payments. I was also satisfied that Miss B made her required payments to MBNA and that she was in receipt of a regular income. And that she appeared to have additional income payments into her bank account which may have been from a separate business that Miss B appears to have been running. I said no doubt Miss B can provide further information about that before my final decision.

So, I said I was satisfied that MBNA did carry out checks on both increases and that the checks were proportionate and reasonable. I was also satisfied that if MBNA had carried out further checks as the investigator suggested then that is likely to have included a closer examination of Miss B's finances and bank statements. I looked at Miss B's bank account statements in detail and couldn't see any obvious signs of financial difficulties or any information on them that would have led MBNA to conclude the credit limit increases were unaffordable.

I saw that Miss B managed her other credit and mortgage accounts appropriately and has what I think is a good credit score. I couldn't see what else MBNA could have investigated that would have led it to conclude there were possible financial difficulties. I accepted Miss B had used most of her credit limit before the increases and appeared to make balance transfers. But I thought that even if further checks were carried out then those would not have resulted in a different lending decision here.

I didn't think it clear why Miss B says she was in such financial difficulties and said no doubt she can provide further information on this point as well as provide her other bank account statements and details of additional household income.

I agreed with the investigator that MBNA was entitled to charge interest in line with agreed account terms and conditions and has offered to help Miss B. I said it is not our role to tell MBNA that it must agree to a loan as Miss B would like.

Overall, my provisional decision was that MBNA did carry out reasonable and proportionate checks on the credit limits. I found in any event that even if it did carry out further checks, then it difficult to see what they would have revealed about Miss B's finances. I said I would consider any further information Miss B would like to provide about why she says she was in financial difficulties as well as the bank statements and other household income or the business she may have been running. I also hoped MBNA would provide details of the information Miss B gave it when the account was opened. I couldn't see why MBNA would not have retained that information and confirmed it was not included the information it has given us.

MBNA has re-submitted its file to us but the information I hoped it would have provided is still not included.

Miss B has responded to my provisional decision and says she was not running a business and has explained what the credits into her account were. She says the financial difficulties

were caused by her partners gambling problems and that she helped his debt issues. Miss B maintains that she shouldn't have been given the credit limit increases.

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 looked again at this complaint and considered carefully the additional points Miss B has made. I am sorry to read of the issues caused by the gambling and appreciate that she has clarified the additional credits into her account.

I have come to the same overall view that I reached in my provisional decision and for largely the same reasons. I'm satisfied that on the face of it the credit limits were affordable taking into account the lack of adverse information on Miss B's credit file, her income and general financial position. I also think that even if MBNA carried out further checks it unlikely that they would have resulted in any change to the lending decision for the reasons I have set out. Overall, I think it likely that the financial problems were caused by Miss B's partners gambling which MBNA would have been unaware of and would have been unlikely to have known about even if further checks were carried out.

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 Miss B to accept or reject my decision before 10 March 2022.

David Singh
Ombudsman