

The complaint

Mr C complains that MBNA Limited (“MBNA”) provided him with credit he couldn’t afford to repay.

What happened

MBNA approved a credit card application for Mr C in November 2017. They initially provided a credit limit of £5,200 but in August 2018 they increased the credit limit to £7,200.

Mr C says they were wrong to provide credit as it wasn’t affordable for him.

MBNA disagree. They say that when they approved the credit card application they used a combination of credit reference agency, computer modelling, and self-reported information to assess the application and subsequent limit increase. They said that when they approved the card application, and when they approved the limit increase, Mr C’s credit file demonstrated that he was managing his credit commitments well; there were no County Court Judgments against him, no arrears on his accounts and no defaults. They said they estimated that he would have enough disposable income to be able to sustainably pay the credit they were offering.

Our investigator thought the checks MBNA had carried out were proportionate and he didn’t think they’d done anything wrong.

Mr C didn’t agree. He said it should have been obvious to MBNA that he was a pensioner at the time and that he’d missed payments on some credit accounts in 2019. He therefore asked for a final decision by an ombudsman.

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.

Our approach to considering complaints about unaffordable and irresponsible lending is set out on our website. I’ve had this approach in mind when considering what’s fair and reasonable in the circumstances of this complaint.

Account opening.

I think MBNA completed proportionate checks before approving the credit card. They reviewed Mr C’s credit file and gathered some information from him about his income and circumstances. The information Mr C provided suggested he was employed and earning 26,000 per year. There was some unsecured debt on his credit file but that was reasonably limited, and Mr C was performing well on his other credit commitments; he’d not incurred any defaults on those accounts and was not in arrears. There was also no evidence of any County Court Judgments either and I don’t think there was anything that suggested MBNA needed to verify the income Mr C had reported. On that basis I don’t think MBNA were wrong to approve the credit card application.

The limit increase in August 2018

MBNA have explained that they applied the same checks when they approved the limit increase in 2018. By that time, they had also been able to review Mr C's performance on his account with them. Mr C was working within his credit limit and had been making at least the minimum payments. The credit reference agencies were reporting a very good performance on his other credit commitments and there was no adverse information on Mr C's credit file, the income he'd declared, and MBNA's estimation of his living expenses suggested the credit was affordable. I don't think MBNA were therefore wrong to offer an enhanced limit. It seems Mr C didn't use any of that enhanced limit anyway so even if that extended credit limit was unaffordable to him there's be no interest or charges to refund to him on that amount.

Mr C has provided some information about his credit file, but he's not provided a full credit file for me to review. That file shows some missed payments on his other credit accounts but those missed payments were in 2019, after the last credit limit increase. So, I don't think it would be fair to suggest they were matters MBNA could have considered when approving the credit.

Overall, I'm not persuaded that MBNA were irresponsible when providing the credit that they did.

I understand that Mr C is also upset that MBNA refused to agree a payment plan with him in December 2020, but I don't think that decision was unreasonable. The income and expenditure review that was completed suggested that Mr C didn't have any disposable income with which to pay towards a plan. In those circumstances I don't think they were wrong to default the account as there seemed no likelihood Mr C could afford to contribute towards the debt.

My final decision

For the reasons I've given above 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 22 September 2022.

Phillip McMahon
Ombudsman