

The complaint

Mr O complains that MBNA Limited (“MBNA”) irresponsibly granted him credit that he couldn’t afford to repay.

What happened

I issued my provisional decision on this complaint in October 2016. An extract from that provisional decision is set out below.

MBNA approved a credit card application for Mr O in January 2019. They initially provided a credit limit of £2,400 but in March 2020 they increased the credit limit to £4,300.

Mr O 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 O’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 that MBNA shouldn’t have provided the limit increase in March 2020 as Mr O’s total indebtedness had risen considerably and it was clear he was in a cycle of debt.

MBNA didn’t agree. They noted that Mr O hadn’t been using all of his credit limit with them and didn’t seem overly reliant on the card. They thought that Mr O’s credit file showed an ability to repay his debts and to reduce them and they noted that several credit card commitments had been reduced significantly before the limit increase. MBNA therefore asked for a final decision by an ombudsman.

What I’ve provisionally 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’m not currently expecting to uphold 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 here.

Account opening.

I think MBNA completed proportionate checks before approving the credit card. They

reviewed Mr O's credit file and gathered some information from him about his income and circumstances. That information suggested Mr O could afford the credit they were offering. There was no adverse information on the credit file, Mr O's performance on accounts with other creditors was good and 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 approve the credit card with the limit they provided.

The limit increase in March 2020

MBNA completed similar checks in March 2020, but I don't think they could be considered proportionate at that time. That's because I think there was some adverse information on Mr O's credit file that suggested he may be experiencing some financial difficulties. His total indebtedness had risen considerably. He'd taken out three new loans and an additional credit card and the debt on his credit cards had risen from about £4,100 to over £12,700. This had significantly increased Mr O's overall indebtedness.

I think MBNA should therefore have done more to assure themselves of Mr O's ability to sustainably repay the credit they were providing. I think they should have done more to verify his income and expenditure. I can't say exactly what they would have found if they'd have asked about that but in the absence of that information I think the best way to think about it is to review Mr O's bank statements from the time of the credit limit increase.

In August 2018 I asked Mr O to provide bank statements from around the time of the increase, but he didn't provide them and hasn't responded to further requests made in September and October of this year. So, I don't think Mr O has given us enough information to fairly determine what proportionate checks would likely have shown MBNA.

As Mr O hasn't been able to demonstrate that the agreement was unaffordable, I can't reasonably conclude that MBNA ought to have known he would struggle to make the repayments. I'm therefore not currently persuaded that MBNA acted unfairly in approving the finance.

My provisional decision

For the reasons I've given above I'm not expecting to uphold this complaint.

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.

Mr O didn't provide any further information, but MBNA did. They noted I'd said, "there was some adverse information on Mr O's credit file that suggested he may be experiencing some financial difficulties". They objected to that statement and explained that "overall his credit file is excellent – the only late payments are on a utility account with British Gas at a linked address...". They asked that the statement should not be used in the final decision.

I agree that there weren't any adverse credit marks on Mr O's credit file. I was referring to the fact that there were signs of some financial difficulties. His total indebtedness had risen considerably. He'd taken out three new loans and an additional credit card and the debt on his credit cards had risen from about £4,100 to over £12,700. This had significantly increased Mr O's overall indebtedness.

I don't think that changes my decision and my provisional decision therefore becomes my final decision on this complaint.

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 O to accept or reject my decision before 14 December 2022.

Phillip McMahon
Ombudsman