

The complaint

Mr B complains that MBNA Limited irresponsibly lent to him.

What happened

Mr B opened a credit card account with MBNA in August 2016. His credit limit was set at £7,500 and increased to £9,300 in April 2017. He opened a second credit card in February 2017 and his limit on this account was £4,000.

Mr B says he got into too much debt with multiple lenders and had to enter a debt management plan. He says MBNA didn't carry out appropriate checks before lending to him.

MBNA says it did all the necessary checks and it didn't see anything which might make it think Mr B couldn't afford the credit.

Our adjudicator didn't think MBNA had done anything wrong. Mr B disagreed, so the complaint was passed to me to make a decision.

I reached a different conclusion so I issued a provisional decision to give both parties a chance to comment. An extract follows and forms part of this final decision.

Extract from my provisional decision

MBNA needed to take reasonable steps to make sure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mr B could afford to repay what he was being lent in a sustainable manner. This means without having to borrow to repay or suffering other adverse financial consequences. These checks could take into account a number of different things, such as how much was being lent, the repayment amounts, Mr B's income and expenditure and his credit history.

This means to reach my decision I need to decide if MBNA carried out proportionate checks at the time of the applications and the limit increase; if so, did it make fair lending decisions based on the results of its checks; and if not, what better checks would most likely have shown.

The August 2016 application and April 2017 credit limit increase

MBNA says that at application it asked Mr B his income and that it did checks with a credit reference agency. It also used a consumer indebtedness index to assess Mr B's application. It says there were no signs that Mr B might have had difficulty meeting his repayments. It says Mr B declared an income of £33,000 and it estimated Mr B's living costs using national statistics. I can't see it has told us what this means it assumed his costs to be. I can see from the credit check it has shared that Mr B's file showed a mortgage of £108,278 and loans/credit card debt of £17,608. MBNA says that Mr B was managing his existing credit well, and I can see there were no defaults, CCJs or missed payments showing.

But given the value of the limit and the amount of debt Mr B already had I don't think these

checks were proportionate. I think MBNA ought to have made sure it understood Mr B's actual outgoings before deciding the credit would be sustainably affordable.

To allow me to understand what MBNA would most likely have seen had it carried out better checks I have looked at Mr B's bank statement from the month of his application. I am not saying MBNA had to do this, but it is a way for me to understand what proportionate checks would most likely have shown MBNA. I can see Mr B made payments to his existing credit providers of £1,038.94, excluding his mortgage payment of £605.68. In that month his salary was £1,983.39. Without even looking at his living costs, and therefore the pounds and pence affordability, I think it was clear that taking on any more credit would most likely not be sustainably affordable for Mr B. Mr B was already spending over 50% of his salary on consumer credit, a level at which it is fair to conclude giving more credit will most likely mean the borrower cannot repay their debt without borrowing again, or suffering other adverse financial consequences. This was proven to be the case here as Mr B later had to enter a debt management plan.

It follows I think MBNA was wrong to provide the card to Mr B. This therefore means any subsequent lending on this account should not have been given.

The February 2017 card application

Logically, given my previous finding, I would not expect MBNA to have provided any other products to Mr B unless it could satisfy itself his financial position had improved. From the results of the checks it carried out this was not the case – when Mr B applied for the second card his outstanding debt on other cards and loans had increased to £21,583. He did not declare a significantly higher salary (£33,350) and so for the same reason as set out above for the first card I find MBNA ought to have declined Mr B's application.

I then set out what MBNA would need to do to put things right if I went on to uphold the complaint.

Both parties responded before the deadline of 1 December 2022. Mr B agreed with the revised assessment. MBNA agreed to refund all interest charges applied.

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 general approach to complaints about unaffordable and irresponsible lending - including the key relevant rules, guidance and good industry practice - on our website and I've taken that into account when considering Mr B's complaint.

As both parties accepted my provisional decision, and didn't submit any new evidence for consideration, I have no reason to change the findings and outcome set out in it.

I would flag that MBNA said it would refund charges applied but it must complete all the steps below, not just refund the charges, in line with our established approach to redress in irresponsible lending complaints.

It follows I am upholding Mr B's complaint.

Putting things right

I don't think MBNA should have lent to Mr B at all, so I don't think it's fair for it to charge any

interest or charges on any balance. I understand both accounts were paid off in June 2022 and so there is no capital to repay.

So MBNA should:

- Rework both accounts removing all interest and charges. I note MBNA has said there was only ever charges applied to one account.
- As the rework will result in a credit balance this should be refunded to Mr B along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement.
- MBNA should also remove any adverse information recorded in relation to the accounts from Mr B's credit file.

*HM Revenue & Customs requires MBNA to deduct tax from any award of interest. It must give Mr B a certificate showing how much tax has been taken off if he asks for one.

MBNA has asked that Mr B confirm the bank details for the account he wishes this payment to be made to.

My final decision

I am upholding Mr B's complaint. MBNA Limited must now put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 29 December 2022.

Rebecca Connelley
Ombudsman