

The complaint

Miss C, who is represented by a third party, complains that MBNA Limited (“MBNA”) irresponsibly gave her a credit card account that she couldn’t afford.

What happened

Miss C applied for and was granted a credit account with MBNA in December 2016. She was given a credit limit of £2,000.

Miss C complained to MBNA in July 2021. She said the account shouldn’t have been opened for her because it wasn’t affordable and that MBNA ought to have made a better effort to understand that she was already in financial difficulties before doing so.

In my provisional decision dated 10 October 2022 I explained why I didn’t intend to uphold this complaint. In short, I said that having obtained clarification from MBNA on how it had calculated Miss C’s living costs, I thought Miss C would be able to sustainably manage the borrowing she’d taken out. I set out an extract below:

“Miss C told MBNA at the time of making her application that she had an annual income that would have provided a monthly income of around £1,400. I agree that our adjudicator was correct in looking at the sustainability of paying off what was a significant amount of debt. And I think on MBNA’s calculations it would have taken much longer to pay off the debt. Our adjudicator also commented on how the new credit MBNA had given Miss C would add significantly to her existing unsecured borrowing, giving her total credit limit of around £11,500. He thought that given Miss C’s monthly income, it was unlikely that Miss C would be left with enough disposable income to cover her living expenses. I also agree that the total monthly amount Miss C would be paying to service her existing credit debt and a loan plus the MBNA balance after her balance transfer would take up around £870 of her monthly income. But I need to consider whether in fact Miss C would be left with enough to manage financially each month.

I’ve seen that on her application Miss C said she paid a contribution of £300 towards living costs to her parents, given that she was living at home. In response to my request for details of how it made its calculation, MBNA said it had noted this but had in fact used a figure for living expenses of £411. By my calculation that means Miss C would likely have had around £120 left per month in disposable income. Whilst I can see that this isn’t a large amount in itself, I have to weigh that up against Miss C’s overall level of debt, her relatively good credit record and the fact that based on her living status, there was less likelihood that she would be at risk of suffering the consequences of sudden changes to her financial situation.

All of this leads me to provisionally conclude that even if MBNA had carried out a more thorough affordability check, it’s unlikely that MBNA would have found the credit it was planning to provide to Miss C to be unaffordable. Further, I’m not persuaded that the way Miss C was managing her account or what MBNA could see of her management of other credit ought to have prompted it to have acted differently than it did.”

Neither party has responded to my provisional decision.

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.

MBNA will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don't consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

Given that neither party has provided me with any further evidence or information to consider, I see no reason to change my finding that MBNA did not act unfairly. So I won't be making any award as I don't think the card account was unaffordable for Miss C or that any loss she had was a result of MBNA's actions.

I know this isn't the outcome Miss C was hoping for and I am sorry that we are unable to help her on this occasion.

My final decision

For the reasons I've set out, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 6 January 2023.

Michael Goldberg

Ombudsman