

## **The complaint**

Mr A complains that MBNA Limited lent irresponsibly when it approved a credit card in his name with a limit of £1,000.

## **What happened**

In 2019 Mr A applied for a credit card with MBNA. In the application Mr A said he was living with family and wasn't paying rent. Mr A also advised he was employed with an income of £1,000. MBNA carried out a credit search and found unsecured credit in Mr A's name. MBNA says it found no evidence of any missed payments or other adverse information when it searched Mr A's credit file. MBNA used a figure of £890 a month for payments to Mr A's existing creditors and £434 a month for general living expenses. MBNA says it completed an affordability assessment and that Mr A's application was approved in line with its lending criteria, with a limit of £1,000.

Mr A's account later fell into arrears and MBNA issued a Notice of Default. Mr A went on to agree an arrangement with MBNA where it agreed to place the account on hold for three months.

Last year, Mr A complained that MBNA had lent irresponsibly when it approved his credit card application. MBNA sent Mr A a final response but didn't agree it had made a mistake or lent irresponsibly.

An investigator at this service looked at Mr A's case. They thought MBNA had carried out reasonable and proportionate checks when looking at Mr A's credit card application in 2019 and weren't persuaded it had lent irresponsibly. Mr A asked to appeal and said it should've been clear to MBNA that a new credit card was unaffordable when he applied. As Mr A asked to appeal, his complaint has been passed to me to make a 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.

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 how to fairly resolve Mr A's complaint.

Before agreeing to lend, MBNA was required to carry out a reasonable and proportionate assessment of Mr A's ability to sustainably repay the debt. The checks had to be borrower focussed. This means MBNA needed to consider whether Mr A could sustainably afford the new borrowing (taking their specific circumstances into account). There's no set list of checks a lender has to complete. The level and nature of checks is likely to vary depending on various factors like the amount applied for and the type of credit facility being considered.

In this case, Mr A applied for a credit card with MBNA. The application recorded various details about his personal circumstances. Mr A's application recorded that he was living with family and had no regular rent or mortgage costs in 2019. Mr A also said he was employed and earned £65,000 a year. From that, MBNA was able to broadly calculate how much he'd received each month. MBNA used national statistics to calculate regular living expenses and used a figure of £434 a month. I'm satisfied that MBNA did consider the information noted in Mr A's application and used it when assessing the suitability of the credit card.

MBNA also carried out a credit check and found Mr A had a reasonable level of unsecured credit. MBNA calculated that Mr A was paying around £890 a month to his other creditors. I agree this is a significant figure. But I have to balance that against the fact all the credit commitments were well managed at the time he applied with no evidence of missed payments or other adverse credit. MBNA says that after it factored in Mr A's existing credit payments and the regular outgoings figure it used, he had over £1,400 a month left from his income.

MBNA approved Mr A's credit card application with a limit of £1,000. MBNA has confirmed the application was approved in line with its lending criteria on the basis that it was affordable. And I can see, from the information MBNA has sent, it carried out an assessment of Mr A's ability to pay based on the information he gave in the application form and that it found on his credit file. Having taken the type of credit and the amount MBNA approved, I'm satisfied it did carry out proportionate checks. And I'm satisfied that the application was reasonably approved. Whilst I understand Mr A went on to experience financial difficulties, I haven't been persuaded that MBNA lent irresponsibly when it approved his application for a credit card in 2019.

I'm very sorry to disappoint Mr A but as I'm satisfied MBNA dealt with his complaint fairly I'm not telling it to do anything else.

### **My final decision**

My decision is that I don't uphold Mr A's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 21 April 2023.

Marco Manente  
**Ombudsman**