

The complaint

Mr M complains that MBNA Limited irresponsibly gave him a credit card against its own policies.

What happened

Mr M held two credit cards with MBNA. He applied for a third credit card in April 2022 and his application was approved. Mr M was given a credit limit on his third credit card of £2,900.

Mr M complained to MBNA in late 2022 to say that it shouldn't have given him the third card as MBNA's policy was to not give any customer more than two credit cards. MBNA accepted that it shouldn't have opened the third credit card. It agreed to refund all interest it had applied to the third card since inception and agreed to waive any further interest for one month. It also agreed to pay Mr M £100 compensation for any upset caused.

Our adjudicator recommended that MBNA also waive all future interest on the third credit card. This was because the account should never have been opened so Mr M shouldn't have been placed in a position where he would have been able to borrow the money. However, as Mr M had used the credit, he should pay back what he had borrowed.

MBNA accepted this outcome, but Mr M didn't. He said that MBNA had lent to him irresponsibly and should pay him a greater sum of compensation as well as writing off some or all of the outstanding balance. He says this lending decision led to him suffering financial difficulty.

The complaint has been passed to me for a final 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.

Both parties accept that the third credit card shouldn't have been opened, and I agree. MBNA has also agreed to refund all interest applied to the account since inception and any future interest that might apply. I think that is fair in the circumstances as I don't think Mr M ought to be disadvantaged by MBNA's decision to lend to him when its own policy was not to.

Mr M says that some or all of the capital amount borrowed should also be written off. However, I'm not persuaded that's fair or reasonable. I say this because the majority of the capital balance was made up of a balance transfer Mr M made from a different credit card held with a different lender. This means that the majority part of the balance was spending Mr M had already incurred elsewhere and would always have been required to pay back regardless of MBNA's decision to lend to him. While Mr M did make some other cash transactions on the MBNA credit card, if I recommended those be written off or refunded to him, it would place him in a better financial position than he would ever have been in. This is because he's spent those funds and he should therefore pay them back.

MBNA have also agreed to pay Mr M £100 compensation for the upset caused to him. I consider this to be fair compensation in the circumstances. In reaching that view, I've also considered that as part of the overall way in which MBNA has agreed to put things right, it will waive any future interest charged on the balance of the account. This means that the balance transfer Mr M made from a previous card will effectively be interest free until it is repaid, something he was unlikely to have been in a position to do otherwise. So, taking all the circumstances into consideration, I think what MBNA has now agreed to do to put things right is fair and reasonable.

My final decision

For the reasons given above, I uphold this complaint and direct MBNA Limited to:

- Refund all interest applied to the third credit card account, including any future interest that might be applied.
- Pay Mr M £100, if it hasn't already, for the upset caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 26 April 2023.

Tero Hiltunen
Ombudsman