

The complaint

Mr N complains that MBNA Limited lent irresponsibly when it approved his credit card application.

What happened

In September 2019 Mr N applied for a credit card and associated balance transfer with MBNA. In his application Mr N said his income was around £31,000 a year and had rent costs of £350 a month that was paid to family. MBNA says it carried out a credit search and found monthly commitments of around £750 a month. MBNA also says it used essential living costs of around £475 a month and found Mr N had about £430 a month as disposable income.

MBNA approved the credit card with a limit of £3,200 and hasn't increased it since. MBNA says that when the credit card was approved Mr N completed a balance transfer of £2,900 against a credit limit of £3,200.

Last year, Mr N complained that MBNA lent irresponsibly when it approved his credit card application. MBNA issued a final response but didn't uphold Mr N's complaint. MBNA said it had carried out reasonable checks that were in line with its lending criteria when considering Mr N's application.

Mr N referred his complaint to this service and told us that at the time of his application he was regularly gambling and that MBNA would've found this if it had looked at his bank statements. Mr N forwarded his bank statements to verify what he told us. Our investigator didn't think MBNA had lent irresponsibly and didn't uphold Mr N's complaint. Mr N asked to appeal, so 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.

Our approach to considering complaints about unaffordable and irresponsible lending is set out on our website. I've taken our approach into account when reviewing Mr N's complaint. In summary, before providing credit, lenders need to complete reasonable and proportionate affordability checks. There isn't a set list of checks a lender is required to carry out, but the lender needs to ensure the checks are proportionate when considering things like: the type and amount of credit being provided, the size of the regular repayments, the total cost of the credit, the length of the lending relationship and the consumer's circumstances.

As a lending relationship continues over time and the level of credit increases, lenders may need to obtain further information from a borrower to check whether they're lending responsibly and that the repayments are sustainable for the customer.

In this case, MBNA asked Mr N for details of his income and used a monthly outgoings figure for affordability purposes. MBNA also took a rent figure from Mr N and used a regular

outgoings figure of around £475 a month. In addition, MBNA carried out a credit search and found details of Mr N's unsecured debt, using a monthly repayment figure of about £750. MBNA has provided evidence from its credit searches and doesn't show any evidence of missed payments, defaults or other adverse credit, so there were no obvious signs Mr N was struggling with his finances at this time.

As I've said above, there's no set list of checks a lender has to complete before approving a credit card – but the checks should be proportionate to the type and amount of borrowing offered. In my view, obtaining information from Mr N about his circumstances and finances that were used to calculate affordability and using the information on his credit file were reasonable and proportionate in the circumstances of his application. I'm not persuaded the information MBNA obtained should've caused it to carry out more comprehensive checks, like asking Mr N to provide evidence of his income or bank statements.

Mr N has forwarded copies of his bank statements from the period he applied for the credit card and I can see they do show evidence of regular gambling. But as I've explained above, I'm satisfied MBNA used information that was proportionate when considering Mr N's application. I haven't been persuaded MBNA lent irresponsibly when it approved Mr N's credit card.

I'm sorry to disappoint Mr N 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 N's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 1 June 2023.

Marco Manente
Ombudsman