

The complaint

Mr A complains that MBNA Limited was irresponsible in its lending to him.

What happened

Mr A says that MBNA provided him with a credit card without being asked to provide proof of his income or expenditure. He says that his credit limit was then increased and again no proof of income or expenditure was requested. He says he wasn't made aware of the risks of higher borrowing.

MBNA issued a final response dated 23 June 2023. It said that Mr A's credit card account was opened in June 2016 and his credit limit was increased in July 2017. It said it was only required to keep historic information for six years and it thought Mr A should have been reasonably aware of any cause for complaint by July 2017. As Mr A raised his complaint in May 2023 it said this was out of time.

Mr A didn't agree with his complaint being time-barred. He said he had only recently become aware of his cause for complaint. He referred his complaint to this service.

Following Mr A's referral of his complaint, MBNA consented to this complaint being considered. It said it didn't have details of the affordability checks carried out before the account was opened but said that Mr A's annual income was £34,000. It said a credit search was carried out which showed Mr A had a loan/hire purchase with an outstanding balance of £7,557 and other credit card debt of £8,428. It said he had no adverse information recorded on his credit file and he had a high credit score. Based on this Mr A passed its lending criteria and was provided with a credit card with a limit of £8,900.

In August 2017, Mr A's credit limit was increased to £13,600. MBNA said its credit search at the time didn't show any adverse information. It noted that Mr A hadn't made use of the increased credit limit as his highest balance had been £8,045 and said he paid off the credit card in November 2018.

Our investigator noted that Mr A was provided with a credit card with a significant initial limit. Given the limited information available she based her assessment on the evidence submitted, including Mr A's testimony and other data sources from the time. Based on this she wasn't persuaded that MBNA had acted reasonably by providing the credit card. She found that Mr A's monthly debts (including the MBNA credit card) would have accounted for around half of his monthly income with his mortgage accounting for a further 27.4%. She didn't think this level of debt should have been considered sustainably affordable. Because of this she said that all interest and charges applied to Mr A's account should be refunded along with interest.

MBNA didn't agree with our investigator's view. It reiterated the information it gathered at the time of Mr A's application. It said the application was for a low-rate credit card with a promotional interest rate for five years of 4.9% for balance and money transfers and card purchases. It said the minimum payment was 1% of the statement balance plus interest (subject to a £25 minimum). It said Mr A's application was successful and he then did a

£8,000 money transfer (plus a £40 fee) and this was his highest balance. It said he made regular payments before clearing the balance in full in October 2017. After this Mr A used the card for one purchase which was then paid for in full.

My provisional conclusions

I issued a provisional decision on this complaint. My conclusions are set out below.

MBNA provided Mr A with a credit card with an initial credit limit of £8,900. This is a substantial limit and I think it reasonable to have expected MBNA to have got a clear understanding of Mr A's financial circumstances before providing the lending.

MBNA hasn't been able to provide the details of its affordability checks and given the time that has passed since the account was opened, I do not find this surprising or unreasonable. It has provided the details it has in regard to Mr A's employment and credit search results. It said Mr A was employed full time with an annual salary of £34,000 and had two other debts outstanding - £7,557 for a loan/hire purchase and £8,428 of credit card debt. It said he had no adverse information recorded in his credit report. Based on this I do not find I can say that the credit search showed that Mr A was in financial difficulty or struggling to manage his commitments at the time. However, I still think, given the size of the lending, that it would have been reasonable to carry out further checks to ensure the repayments were sustainably affordable.

Mr A has been asked to provide copies of his bank statements from the time, but he hasn't been able to provide these. Therefore, I have relied on the income information provided at the time of application as being reasonable. This would result in a net monthly income for Mr A of around £2,200.

MBNA's credit search showed that Mr A had other outstanding debts at the time and Mr A has said that the monthly repayments for his loan were £220 which appear reasonable. Additional to this, sustainable repayments towards his existing credit card debt would result in payments of around £420. MBNA has said that the credit card provided had a promotional interest rate for five years of 4.9% for balance and money transfers and card purchases.

Once the account was opened Mr A made an £8,000 money transfer which he has explained he used to consolidate other debts. Noting Mr A's existing credit card debts at the time he applied for this card it seems reasonable to accept that he would likely have repaid the majority of his existing credit card debt from this money transfer.

I note MBNA's comment about Mr A not providing copies of his bank statements, but we can also rely on testimonies provided alongside the other evidence. In this case Mr A has said he was paying £600 towards a mortgage and paying half of the council tax (around £40 a month). Additional to this he has explained he was working away from home and paid additional accommodation costs of around £350 a month. This, combined with his £220 loan repayments gives monthly costs of around £1,210. Mr A was also paying for general living costs such as food, transport and a mobile phone but having taken this into account, I do not find I have enough to say that the MBNA lending should have been considered unaffordable.

I say this because the new lending was being used to consolidate existing debts that were most likely repayable at a higher amount. Therefore, the new lending should have reduced Mr A's monthly outgoings. I note that Mr A's credit file at the time of the lending hadn't raised concerns about him struggling with his existing commitments and this new lending should have improved his situation. Therefore, without further evidence to say that MBNA should have been aware the Mr A was struggling financially at the time of the lending, I do not find I

can say that MBNA was wrong to provide Mr A with the credit card and initial credit limit of £8,900.

Mr A's credit limit was increased to £13,600 in August 2017. But as Mr A didn't make use of the additional credit provided, I cannot say that even if this shouldn't have been provided that it has resulted in any detriment to Mr A. Therefore, I haven't considered this limit increase any further.

No new evidence was provided in response 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.

Our approach to considering complaints about unaffordable and irresponsible lending is set out on our website. I've had this approach in mind when considering what's fair and reasonable in the circumstances of this complaint.

As I set out in my provisional decision, having considered all the information provided including Mr A's testimonies about his costs, I do not find that I have enough to say that this lending shouldn't have been provided. Mr A has explained that the lending was used to consolidate other debts and taking this into account I do not find I can say the lending should have been considered unaffordable. As the checks carried out at the time of Mr A's application didn't raise concerns about the lending I do not find I can say MBNA did anything wrong by providing Mr A with a credit card with a limit of £8,900. While the credit limit was increased, as Mr A didn't make use of the additional credit I do not find I can say this caused him any detriment.

Based on this, and as I set out in my provisional decision, I do not find I can uphold this complaint.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 16 February 2024.

Jane Archer
Ombudsman