

The complaint

Mr C complains that MBNA Limited lent irresponsibly when it approved his credit card application and went on to increase the credit limit.

What happened

The background to this complaint and my initial conclusions were set out in my provisional decision. I said:

Mr C applied for a credit card with MBNA in April 2018. In his application, Mr C said he was employed with an income of £28,000. MBNA says it carried out a credit search and found credit card debt of £1,241 and loans of £9,016 in Mr C's name. MBNA says it applied its lending criteria and his application was credit scored, leading to Mr C's credit card being approved with a credit limit of £3,800.

MBNA's advised that Mr C asked for various credit limit increases in the period that followed but that were declined. Mr C cleared his outstanding balance in January 2021. In December 2021, MBNA contacted Mr C and advised it had increased his credit limit to £4,800.

Earlier this year, Mr C complained that MBNA had lent irresponsibly. MBNA issued a final response on 22 June 2023 but didn't uphold Mr C's complaint.

An investigator at this service looked at Mr C's case. They thought MBNA should've done more before approving Mr C's credit card and later increasing his credit limit. The investigator looked at Mr C's bank statements but wasn't persuaded that MBNA had lent irresponsibly. Mr C asked to appeal and pointed out that if MBNA had looked at his bank statements it would've found he was gambling extensively and declined to proceed. As Mr C asked to appeal, his complaint has been passed to me to make a decision.

What I've provisionally 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.

Before agreeing to lend, the rules say MBNA had to complete reasonable and proportionate checks to ensure Mr C could afford to repay the debt in a sustainable way. These affordability checks needed to be focused on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:

- The amount of credit;*
- The total sum repayable and the size of regular repayments;*
- The duration of the agreement;*
- The costs of the credit; and*
- The consumer's individual circumstances.*

That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate. Lenders may

choose to verify a borrower's income or obtain a more detailed picture of their circumstance by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.

I've looked at the available information, including the details Mr C provided in his application and a copy of his credit file that's been supplied. I can see that MBNA looked at Mr C's existing credit and found he had a credit card balance of around £1,241 and loan balances of £9,016. And I can see that MBNA factored those monthly repayments into its lending decision. But I agree with the investigator that the information MBNA obtained ought to have caused it carry out better checks. I'll explain why.

Mr C has supplied a copy of his credit file. Whilst I can see MBNA found Mr C's debts, I think it's fair to note that the majority of his borrowing was reasonably new at the point he applied for a credit card. The hire purchase agreement for around £9,000 was opened in December 2017 and Mr C had successfully obtained another credit card that had an outstanding balance of around £1,000 when he applied to MBNA. That means, in the six months preceding Mr C's application to MBNA, his outstanding credit had increased substantially. I think borrowing of that nature ought to have led MBNA to carry out more comprehensive checks before approving any further credit.

As noted above, there's no set list of checks lenders must complete. Here, Mr C's provided copies of his bank statements for the period preceding his credit card application to MBNA in April 2018. I've looked at those statements and whilst Mr C's income was broadly in line with the declared figure in his application, I found evidence of significant gambling transactions. In February 2018, there was around £620 in gambling payments. In March 2018 there were payments to gambling businesses totalling around £535.

In my view, Mr C's bank statements show that whilst he was earning, the overwhelming majority of any surplus income he had was being used for gambling purposes. If MBNA had looked at Mr C's bank statements, I think it would've declined to approve his credit card as it would've found he was unlikely to be able to sustainably manage repayments. In my view, MBNA lent irresponsibly when it approved Mr C's credit card application.

I've looked at the information MBNA had available when it increased Mr C's credit limit. MBNA's pointed out Mr C's credit card and other credit were well handled. But I think it's fair to note that the level of unsecured debt had increased substantially between April 2018, when Mr C first applied, and December 2021 when the credit limit was increased to £4,800. At that point, Mr C's credit card debt had grown from around £1,241 to £8,173. I think an increase in unsecured debt of that nature should've caused MBNA to carry out checks to be sure Mr C could afford to repay further borrowing. Again, Mr C has supplied bank statements for the months before his credit limit was increased.

Mr C's bank statements show he was making payments to cover regular outgoings from both his sole and joint account along with payments for his existing credit. But Mr C's statements also show he was gambling most days, albeit at a reduced level. In my view, the increase in Mr C's unsecured debt coupled with regular gambling transactions would've been apparent to MBNA had it carried out more comprehensive checks. And I think MBNA would've declined to increase Mr C's credit limit if it had carried out more comprehensive checks. I agree with Mr C that MBNA shouldn't have increased the credit limit in December 2021. Based on everything I've seen, I intend to uphold Mr C's complaint and direct MBNA to refund all interest, fees and charges applied to his credit card.

I invited both parties to send me any additional comments or information they wanted me to consider before I made my final decision. Mr C responded and provided further information

about his circumstances during his lending relationship with MBNA. MBNA responded and confirmed it's willing to accept.

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.

I've considered the responses from both sides. Having done so, I see no reason to change the conclusions I reached in my provisional decision. I still think Mr C's complaint should be upheld, for the same reasons.

My final decision

My decision is that I uphold Mr C's complaint and direct MBNA Limited to settle as follows:

- Rework the account removing all interest, fees and charges that have been applied since inception (and not already refunded)
- If the rework results in a credit balance, this should be refunded to Mr C along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement
- Or, if after the rework there is still an outstanding balance, MBNA should arrange an affordable repayment plan with Mr C for the remaining amount without applying further interest, fees or charges
- Once the balance has been cleared, any adverse information in relation to the account should be removed from Mr C's credit file

*HM Revenue & Customs requires MBNA to deduct tax from any award of interest. It must give Mr C a certificate showing how much tax has been taken off if he asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting tax.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 22 February 2024.

Marco Manente
Ombudsman