

The complaint

Mr M complains that MBNA Limited (MBNA) reduced his credit limit unnecessarily.

What happened

The details of this complaint are well known to both parties, so I won't repeat them again here. Instead, I'll focus on giving my reasons for my 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.

I know it will disappoint Mr M, but I agree with the investigator's opinion. I'll explain why.

Where the information I've got is incomplete, unclear, or contradictory, as some of it is here I have to base my decision on the balance of probabilities.

I've read and considered the whole file, but I'll concentrate my comments on what I think is relevant. If I don't comment on any specific point it's not because I've failed to take it on board and think about it but because I don't think I need to comment on it in order to reach what I think is the right outcome.

MBNA's right to change the credit limit is detailed in the card's terms and conditions. Those terms also explain that one reason they may find that necessary is if they are told by credit reference agencies about changes in a consumer's financial circumstances. MBNA have explained that was the case here.

It's for MBNA to decide how much to lend and what risk they are prepared to take when making that lending decision. So, I don't think MBNA were unreasonable to reduce Mr M's credit limit from £20,000 to £1,550, or to subsequently authorise a £10,000 limit after a period of time. Mr M says that there had been little change in his credit file when MBNA made the decision to apply the £10,000 limit. But MBNA's appetite for risk could reasonably change over time and consequently, so could the credit they were prepared to apply.

Businesses don't have to give notice to customers about decreasing credit limits. Lenders have expressed concern that this might encourage customers whose balance is below the limit to spend up to the original limit and that would increase the amount they owe, which could cause problems if they're already having money problems.

I would, however, expect MBNA to have considered the impact a change may have on Mr M's finances, and I think they did that. They manually reviewed the limit they had automatically applied, and they signposted him to other organisations if he was experiencing financial difficulties. Mr M was using £1,289 of the new £1,550 credit limit when it was applied, and I've not seen evidence he experienced financial difficulties as a result of the change. MBNA have a responsibility to ensure they lend responsibly and a decision to reduce the credit limit, while understandably frustrating for Mr M, was a reasonable response to concerns they had that Mr M was experiencing difficulties with his financial commitments elsewhere.

I understand that Mr M was in the process of disputing the information that had been reported to his credit file by another provider, but MBNA could only review the information that was available at the time. I don't think their decision to reduce lending was unreasonable in the circumstances.

My final decision

For the reasons I've given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 30 April 2024.

Phillip McMahon
Ombudsman