

The complaint

Miss C complains that MBNA Limited ('MBNA') irresponsibly gave her two credit card accounts that she couldn't afford.

What happened

The first card was taken out in June 2011 with an initial credit limit of £2,800 and had four credit limit increases. The second card was taken out in November 2021 with an initial credit limit of £6,300 and didn't have any credit limit increases after that.

Miss C complains that neither account should have been opened for her because they were each unaffordable from the outset and worsened her financial situation.

Our investigator recommended that Miss C's complaint about the first card be partly upheld. MBNA has agreed to compensate Miss C on that basis.

In my provisional decision dated 19 April 2024, I explained why I thought the second credit card account had not been granted unfairly. Essentially, I thought this card account was affordable for Miss C and that her financial circumstances showed it was likely she would be able to repay the card sustainably. I thought MBNA could have carried out better checks before granting the credit, but I then went on to explain why I didn't think the credit had been granted unfairly. I set out an extract below:

"In the absence of anything else, I've reviewed the three months of bank statements leading up to the lending decision that Miss C sent us. I think this gives a good indication of what MBNA would likely have discovered if it had tried to verify Miss C's level of spending and regular outgoings in some way rather than relying solely on statistical data. As I've said above, Miss C's average monthly income was lower than the figure relied upon by MBNA. She was also making regular use of her overdraft on her current account and also on another account we've seen. A key factor here was that she appears each month to have been transferring to the value of her overdraft to another account from which she paid household bills. Regular use of an overdraft is often an indicator of potential issues with managing debt. I understand that the main account Miss C was using didn't charge interest so she was able to use the overdraft as a convenience where she wasn't losing out.

The statements show that Miss C was meeting her monthly non-credit housing costs, as well as other costs such as food and transport, with disposable income available for leisure spending. Given that her overdraft was not an active expense, I can appreciate that Miss C might be content to rely on it and keep it at the level it was. I would not suggest that use of an overdraft is ideal, but given these particular circumstances, I am not convinced that Miss C's financial situation was at significant risk of deterioration such that the new credit was likely to be unsustainable.

As I have already mentioned MBNA has confirmed that the account was used at the outset for balance transfers at a promotional rate. I don't know the exact amounts but agree there likely would be a saving of credit interest elsewhere – at least in the short term until such

time as Miss C decided to use the available credit again. So I don't think, given the specific facts of this complaint, MBNA was wrong to have facilitated those transfers.

Taking all of this into consideration, I have so far seen insufficient evidence to think that a more thorough affordability check would have led MBNA to think that the credit it granted Miss C on this card was unreasonable.

That means, I currently don't have sufficient evidence to uphold this complaint."

Miss C has responded with some more information about the second card. She suggests she was encouraged by MBNA to take out the card and that the level of credit she owed meant that the balance transfer offer she took advantage of with the second card would be of limited help to her.

MBNA has said it has nothing further to add.

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 read and considered the whole file, but I'll confine my comments to what I think is relevant. If I don't comment on any specific point it's not because I've failed to consider it but because I don't think I need to comment on it in order to reach what I think is the right outcome in the wider context. My remit is to take an overview and decide what's fair "in the round".

MBNA will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don't consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

Although I've thought about what Miss C has said in response to my decision, I will not be changing my non-uphold finding for the second card. In making my decision I have looked carefully at whether the second card was affordable and also whether or not Miss C would be able to sustainably make repayments to her card, taking into account what I'd seen about her monthly outgoings and the level of disposable income she'd have available to her each month. Whilst I am grateful for the further information Miss C has provided, unfortunately it doesn't lead me to change my finding .

It follows that I still don't think MBNA acted unfairly in granting Miss C the second card.

I would however, remind MBNA that it has now agreed to compensate Miss C for granting her the first card in line with our investigator's recommendation. It should therefore make arrangements to pay that compensation as soon as possible.

My final decision

For the reasons given above, I'm not upholding Miss C's complaint about the second card. Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 31 May 2024.

Michael Goldberg
Ombudsman