

The complaint

Miss W complains that MBNA Limited lent irresponsibly when it approved her credit card application and later increased the credit limit.

What happened

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

In November 2020 Miss W applied for a credit card with MBNA. In her application, Miss W said she was employed with an income of £20,000 a year which MBNA calculated to leave around £1,437 each month after deductions. Miss W also said she was renting at £440 a month. MBNA says it carried out a credit search to look at how much Miss W owed to other businesses. MBNA says it found Miss W had monthly costs for paying her credit of £300 with no arrears or other adverse credit reported. MBNA used the rent figure of £440, unsecured credit commitments of £300 and essential living costs of £451 a month which left Miss W with around £246 of disposable income. MBNA approved a credit card with a £4,000 limit.

MBNA says Miss W used her credit card to complete various balance transfers and that she benefitted from 0% promotions.

In June 2022 Miss W repaid the outstanding balance on her credit card in full. In September 2022 MBNA increased Miss W's credit limit to £8,000. MBNA says it checked Miss W's credit file again and looked at her account history to get a picture of how the credit card had been administered. After the credit limit increase was approved, Miss W completed balance transfers to benefit from promotional interest rates.

Last year, Miss W complained that MBNA had lent irresponsibly and it issued a final response. MBNA advised it had completed the relevant checks and approved Miss W's application and later increased the credit limit in line with its lending criteria.

Miss W referred her complaint to this service and it was passed to an investigator. They thought MBNA should've carried out better checks before approving Miss W's credit card and upheld her complaint. MBNA asked to appeal, so Miss W's 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 or increasing the credit limit, the rules say MBNA had to complete reasonable and proportionate checks to ensure Miss W 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 circumstances by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.

Having considered the available information, I've reached a different conclusion to the investigator. I haven't been persuaded that MBNA lent irresponsibly. I'll explain why.

I've looked at the original application Miss W completed in November 2020 along with the other information MBNA had available when considering whether to approve the credit card. Whilst I can see Miss W already had unsecured debt at the point of application, MBNA completed a credit search and found out how much she owed and how payments had been made. I also think it's fair to note the application was made for a credit card that gave promotional interest rates to balance transfers. MBNA has supplied systems information to show it was aware of Miss W's repayments each month and also took her rent and essential living costs into account before deciding whether to proceed. So I'm satisfied MBNA had a reasonably accurate picture of Miss W's circumstances at the point of application.

I note our investigator felt the credit limit approved of £4,000 was high and felt that should've led MBNA to carry out further checks. But I'm not persuaded that's the case. In my view, by asking Miss W to provide information about her circumstances and carrying out a credit search, MBNA did carry out reasonable and proportionate checks in terms of the type and amount of credit it was considering. I haven't seen anything that would've indicated to MBNA that Miss W was struggling at the time she applied or that the decision to approve a credit card with a £4,000 credit limit was unreasonable in the circumstances.

I've considered whether MBNA should've gone further when it increased the credit limit to £8,000. Given the existing credit limit was doubled by MBNA, I think a more comprehensive set of checks would've been more reasonable before it extended the credit limit. As noted above, there's no set list of checks a lender has to complete. One option would've been to review Miss W's bank statements to get a better picture of her circumstances at the time. Miss W's sent us bank statements for July and August 2022, so I've looked at those.

In July 2022, Miss W was paid £1,656 and received a contribution towards bills from a third party of £608.50. Miss W had rent of £650 and regular direct debits that came to around £750. That meant Miss W had around £865 available once her priority bills and regular living costs were covered for her remaining expenses. I appreciate that would've included food, transport and other day to day living costs. But Miss W's bank statements don't appear to show she was struggling financially or that she was unable to afford an increase in her credit card arrangements with MBNA.

So whilst I think MBNA should've done more before increasing the credit limit, I'm satisfied that it would still most likely have proceeded even if it had asked Miss W for further information about her circumstances.

I also think MBNA makes a reasonable point when it says that despite opening the credit card in 2020, it was only at the end of last year that Miss W started paying interest on the outstanding balance having made use of various promotional interest rates. Looking at the

way Miss W handled the credit card, I haven't seen anything that would've indicated to MBNA that she was struggling or experiencing financial difficulties.

I'm very sorry to disappoint Miss W but, for the reasons I've noted above, I haven't been persuaded that MBNA lent irresponsibly when it approved her credit card application and later increased the credit limit.

I invited both parties to respond with any additional comments or information they wanted me to consider before I made my final decision. MBNA responded to confirm it had nothing further to add. We didn't hear back from Miss W.

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.

As neither party has provided new information for me to consider, I see no reason to change the conclusions I reached in my provisional decision. I remain of the view that MBNA's decision to lend to Miss W was reasonable and that it dealt with her complaint fairly, for the same reasons.

My final decision

My decision is that I don't uphold Miss W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 12 June 2024.

Marco Manente
Ombudsman