

The complaint

Mrs G says MBNA Limited irresponsibly lent to her.

What happened

Mrs G took out a credit card from MBNA in January 2020. She was given a £4,100 credit limit.

Mrs G says if MBNA had looked further into her credit history it would've seen an unhealthy record of spending and debt management. It should not have approved such a high amount of credit.

MBNA said it carried out appropriate checks that showed Mrs G could afford the credit.

Our investigator issued two assessments. I will only summarise the most recent as that is the latest view of this service. She said whilst MBNA ought to have carried out better checks, had it done so it could have fairly made the same lending decision.

Mrs G disagreed and asked for an ombudsman's review. She said she would not have been left with enough income each month to cover all her expenses given the £4,100 limit.

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.

We've set out our general approach to complaints about unaffordable and irresponsible lending - including the key relevant rules, guidance and good industry practice - on our website and I've taken that into account when considering Mrs G's complaint.

MBNA needed to take reasonable steps to make sure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mrs G could afford to repay what she was being lent in a sustainable manner. This means without having to borrow to repay or suffering other adverse financial consequences. These checks could take into account a number of different things, such as how much was being lent, the repayment amounts, Mrs G's income and expenditure and her credit history.

This means to reach my decision I need to decide if MBNA carried out proportionate checks at the time of the application; if so, did it make a fair lending decision based on the results of its checks; and if not, what better checks would most likely have shown. I can see MBNA asked for certain information when Mrs G applied – her income and housing costs, marital status, residential and employment status. It carried out a credit check to allow it to auto-generate a credit score for Mrs G and from this it saw she met its lending criteria.

I am not persuaded these checks were proportionate given the credit limit MBNA offered and Mrs G's monthly income. And MBNA had not verified her declared income. As it knows the

regulatory guidance states that it is generally not sufficient to rely solely on an applicant's declaration without some kind of independent validation. So I think a fuller financial review was needed.

In cases like this we look at bank statements from the three months prior to lending and/or the full credit file. Mrs G supplied both and I am satisfied they show the credit was affordable for her. Her average monthly salary was £1,712. Her fixed expenditure was £906.19 (living costs and credit costs). She had taken out a new mortgage in December 2019 which also needed to be taken into account – at £376 a month. That meant better checks would have shown MBNA that Mrs G had £429.81 of remaining income each month to cover the repayments on this card of £205 (assuming a repayment at 5% of maximum balance) and her discretionary spend. I think this is reasonable.

Mrs G argues she had other costs to cover and this was not enough but the analysis above is based on her actual outgoings as shown on her bank statements so I think it is reasonable to rely on it. I am not saying I doubt Mrs G's testimony but I don't think it would have been proportionate for MBNA to look beyond her statements to assess her outgoings. Also, there were no signs of financial strain on her statements - such as the persistent reliance on an overdraft, recurring use of payday loans or returned direct debits. And there was no adverse information on her credit file.

Finally, Mrs G applied for this card in order to transfer in balances on a promotional interest rate. So she would be saving money on interest charges and reducing her outgoings.

It follows I think MBNA could fairly have made the same lending decision had it carried out proportionate checks.

My final decision

I am not upholding Mrs G's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G to accept or reject my decision before 2 July 2024.

Rebecca Connelley
Ombudsman