

The complaint

Mr C complains that MBNA Limited lent irresponsibly when it approved his credit card application and later increased the credit limit.

What happened

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

In May 2019 Mr C applied for a credit card with MBNA. In his application, Mr C said he was employed with an income of £90,000 a year and renting privately for £750 a month. MBNA says it carried out a credit check and found Mr C was paying around £723 a month to cover unsecured borrowing in his name. MBNA applied estimated living costs and says Mr C had around £3,150 surplus income available once his regular outgoings were taken into account. MBNA approved a credit card with a limit of £12,000.

Mr C went on to complete some balance transfers in the months that followed. Mr C also used his credit card for online gambling. In November 2019 MBNA increased Mr C's credit limit to £17,000.

Mr C's explained that he had a gambling problem during this period and was using his credit card to fund that. Mr C later agreed a Debt Management Plan (DMP). Mr C's credit card with MBNA was closed at default in August 2022.

Last year, Mr C complained that MBNA had lent irresponsibly. MBNA issued a final response but didn't uphold Mr C's complaint.

An investigator at this service upheld Mr C's complaint. They thought the information in Mr C's application should've caused MBNA to carry out more comprehensive checks before deciding to proceed. The investigator looked at Mr C's bank statements for the months preceding his application and said the level of outgoings exceeded the income. The investigator thought MBNA should've declined Mr C's initial application. They also said the credit limit increase shouldn't have been approved in November 2019.

MBNA responded but didn't agree with all the investigator's conclusions. MBNA pointed out that the investigator had used a regular payment in excess of £2,000 to a travel company for February, March, April and May 2019 but pointed out they weren't visible from September 2019 onwards. MBNA said this wasn't a regular outgoing or one being used for essential spending so shouldn't have been factored into the assessment. MBNA highlighted other non-essential spending of around £250 a month and savings balance of £9,788. MBNA didn't agree it had lent irresponsibly when it approved the credit card. But MBNA said it wanted to uphold Mr C's complaint about the credit limit increase to £17,000 in November 2019 and said it should've done more before taking that step. As MBNA asked to appeal, Mr C'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 by increasing the credit limit, 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'm sorry to disappoint Mr C but I've reached a different view to the investigator concerning MBNA's initial lending decision to approve his application. I've looked at the information Mr C supplied to MBNA and can see he gave details of his regular income and outgoings. MBNA's provided evidence to show it factored the cost of financing Mr C's existing credit into its lending assessment. And MBNA also applied estimated living expenses to Mr C's income when looking at how much he could afford.

I agree the credit limit was reasonably large at £12,000 but Mr C's income was noted as £90,000. That meant, from MBNA's perspective, Mr C had a sufficient income to service the new credit card he was applying for. So whilst I agree the limit was reasonably large, I'm not persuaded that, in itself, would've meant MBNA needed to go further in the checks it completed.

I haven't seen anything on the information MBNA found on Mr C's credit file that would've caused undue concern. I can see Mr C missed one payment but there wasn't evidence I could see of financial difficulties beyond that.

Taking all the available information into account, I haven't been persuaded that MBNA failed to carryout reasonable and proportionate checks before approving the credit card application. In my view, MBNA's decision to approve Mr C's application was reasonable.

I've also looked at Mr C's bank statements for the months preceding his application to MBNA. I agree with MBNA's response that the statements don't show that further borrowing was unaffordable. Like MBNA, I don't think payments of around £2,000 a month made to a travel company can reasonably be considered as essential living expenses. And I note those payments don't appear to have been made after September 2019. Mr C's also provided savings account statements that show he had around £9,788 at the time of making the application.

So even if MBNA had asked Mr C for bank statements to get a more detailed picture of his income and outgoings, I still think it would've reasonably taken the decision to approve the

credit card with a limit of £12,000 in April 2019. I haven't been persuaded that MBNA lent irresponsibly.

In response to the investigator, MBNA explained it had taken the opportunity to review the credit limit increase to £17,000 it approved in November 2019 and uphold this part of Mr C's complaint. I'm pleased as Mr C's credit card statements from the months preceding November 2019 show extensive levels of gambling. I agree with MBNA's recent decision to uphold this part of Mr C's complaint.

I appreciate my decision is likely to disappoint Mr C. But, for the reasons I've noted above, I haven't been persuaded that MBNA lent irresponsibly when it approved his credit card application in May 2019. I am upholding Mr C's complaint about the credit limit increase in November 2019.

I invited both parties to respond with any additional comments, information or evidence they wanted me to consider before I made my final decision. MBNA responded to confirm it had nothing further to add.

Mr C responded and explained the regular payment he was making from his current account didn't relate to a travel company. Mr C provided statements that showed he was using a credit card for day to day spending and regular living costs. The statements Mr C provided covered several months both around the application and MBNA's decision to increase the credit limit. Mr C explained that he was still concerned with MBNA's decision to approve his credit card application especially given the impact of a gambling addiction and the Debt Management Plan he entered into.

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'd like to thank both parties for their patience whilst Mr C's case has been with us. And I'd like to thank Mr C for providing detailed comments and evidence in support of his case. I want to assure Mr C that I've taken everything he's provided into account when reaching my decision.

I recently emailed Mr C and set out why I remained of the view that the original decision to lend by MBNA was reasonable. Mr C has provided clear evidence that shows the payments of around £2,000 he was making each month were to cover a credit card he was using. I've reviewed those statements and can see Mr C was using that credit card for day to day spending, clearing the outstanding balance in full each month. I explained that even if MBNA had reviewed Mr C's bank statements and taken the regular payment of around £2,000 into account, I think it still would've proceeded with the application.

My view was reached on the basis that Mr C's income appeared sufficient to cover his existing commitments, including unsecured debts, rent and essential living costs each month and leave a disposable income. I felt Mr C's current account statements showed it was well managed and not generally overdrawn, despite having a £5,000 limit. In addition, Mr C's savings were increasing in the months before his application was made and I didn't find any evidence of gambling transactions on the statements provided. Overall, having considered the available information, I remain of the view that MBNA's decision to approve Mr C's application in May 2019 was reasonable and having been persuaded it lent irresponsibly.

Mr C confirmed he understood the reason behind my decision and is willing to proceed in line with the provisional decision.

As I haven't been persuaded to change the conclusions I reached in my provisional decision I'm going to proceed on that basis and uphold Mr C's complaint.

My final decision

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

- Rework the account removing all interest, fees, charges and insurances (not already refunded) that have been applied to balances over £12,000 from November 2019 onwards.
- 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. MBNA should also remove all adverse information regarding account balances in excess of £12,000 from November 2019 from Mr C credit file.
- 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 (if it hasn't done so already). Once Mr C has cleared the balance, any adverse information in relation to account balances in excess of £12,000 from November 2019 should be removed from his credit file.

If MBNA has sold the debt to a third party, it should arrange to either buy back it back from the third party or liaise with them to ensure the redress set out above is carried out promptly.

*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 the tax.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 19 August 2024.

Marco Manente
Ombudsman