

The complaint

Mr I complains that MBNA Limited was irresponsible to lend to him and that its customer service was lacking.

What happened

Mr I was approved for a loan with MBNA in July 2022 as follows:

<u>Date</u>	<u>Amount</u>	<u>Term</u>	<u>Repayment</u>
16 Jul 2022	£12,000	84 months	£190.38

Mr I's wife, Mrs I, is representing him in this complaint. She says Mr I has a spending addiction and already had a number of loans when he applied for the MBNA loan. Mrs I says she called MBNA to ask for a settlement figure and the call handler offered no assistance and totally lacked empathy. She says that when she complained, she was told the lending was not irresponsible even though it was evident that the circumstances of the loan application were not fully explored. Mrs I adds that she is on maternity leave and has not been able to repay the loan herself and the stress of the situation has affected both of them.

MBNA says it asked Mr I about his income and housing costs and used data from the Office of National Statistics (ONS) to estimate his other expenditure. Combined with information it received from its credit checks, it found the lending was sustainably affordable to Mr I. It apologised for the way in which Mrs I's calls were handled.

Our investigator recommended the complaint should be upheld in part. He wasn't satisfied that MBNA had carried out proportionate checks but didn't see enough information to show that better checks would have led to a different lending decision. MBNA didn't have a recording of the call in question, however, our investigator was persuaded that Mr I should receive £150 for the poor service on the call.

Mrs I responded to say, in summary, that if MBNA had carried out proper checks, the loan application may have been declined and, therefore, she believes compensation would also be appropriate for the irresponsible lending part of the complaint. Mrs I forwarded further bank statements, but our investigator's view remained unchanged.

MBNA responded to say that it accepted the investigator's view.

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.

Customer Service

As all parties have accepted the proposed compensation of £150 for the poor customer service, I won't consider that aspect of the complaint further here.

Irresponsible Lending

I need to take into account the relevant rules, guidance and good industry practice.

Bearing this in mind, in coming to a decision on Mr I's case, I have considered the following questions:

- Did MBNA complete reasonable and proportionate checks when assessing Mr I's loan application to satisfy itself that he would be able to repay the credit in a sustainable way?
 - If not, what would reasonable and proportionate checks have shown?
- Did MBNA make a fair lending decision?
- Did MBNA act unfairly or unreasonably in some other way?

When Mr I applied for the credit card, I've seen evidence of the affordability checks carried out by MBNA and they show:

- A declared income of £49,000 per year;
- Housing costs at £1,300 per month;
- Living expenditure of £477 per month;
- Monthly credit commitments of £324;
- Other commitments of £200 per month;

Including a housing buffer of £162, MBNA calculated Mr I had a disposable income of £410 per month and, therefore, considered the loan was sustainably affordable.

However, I'm not satisfied that the checks were proportionate to the circumstances of the loan because:

- This was a large loan over a significant term;
- MBNA has not provided any evidence of the credit check it said it carried out;
- I can't see MBNA asked Mr I about his personal circumstances;
- The figure for living expenditure was based on an estimate from ONS data;

So, I've had a look at Mr I's bank statements from the time, and a recent credit report, as a reasonable proxy for what proportionate checks are likely to have shown MBNA:

- Mr I's average income in the three months prior to the lending was about £2,800 per month – in line with the £49,000 gross income he'd declared to MBNA;

- He transferred £1,300 to his wife to cover his share of household expenditure, including the mortgage, council tax, utilities, insurances, a finance agreement, car tax, television licence and £200 towards savings;
- His monthly loan repayments were £384 on four loans;
- Other regular expenditure was around £165;
- Transfers to a joint account were for contributions to other household expenditure, including groceries, petrol, childcare and children's extra-curricular activities – Mr I's share of these costs was around £500.

Based on the above, this left Mr I with a disposable income of around £450. Excluding the money transferred to savings, this figure was £650. So, I consider it likely that proportionate checks would have indicated to MBNA that Mr I could sustainably afford the loan repayments.

In summary, I find MBNA made a fair lending decision.

Finally, I've also considered whether MBNA acted unfairly or unreasonably in any other way, including whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. I'm satisfied that, based on what I've seen, no additional award would be appropriate in this case.

My final decision

My decision is that I do not uphold the complaint about irresponsible lending.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr I to accept or reject my decision before 18 September 2024.

Amanda Williams
Ombudsman