

The complaint

Mrs M complains that MBNA Limited have irresponsibly lent to her.

What happened

Mrs M was approved for an MBNA credit card in February 2024 with a £5,700 credit limit. She says that this was irresponsibly lent to her. Mrs M made a complaint to MBNA.

MBNA did not uphold Mrs M's complaint. They said Mrs M declared an annual income of £38,000 and she had monthly housing costs of £750. They said they also used information from the Office of National Statistics (ONS) for expected day to day living costs, and they used information from a Credit Reference Agency (CRA). MBNA said Mrs M passed all of their checks. Mrs M brought her complaint to our service.

Our investigator did not uphold Mrs M's complaint. He said the credit check data showed no evidence of recent arrears or a previous history of Mrs M defaulting on accounts, so it didn't appear that she was in financial difficulty when she applied for the account.

Mrs M asked for an ombudsman to review her complaint. She said she was not asked to provide payslips or bank statements by MBNA to show her earnings, she was allowed to take three large credit transactions within days of each other causing her to reach her credit limit, and she already had a £3,000 loan with MBNA. Mrs M says that she has missed repayments and she's been over her credit limit several times.

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.

Before agreeing to approve the credit available to Mrs M, MBNA needed to make proportionate checks to determine whether the credit was affordable and sustainable for her. There's no prescribed list of checks a lender should make. But the kind of things I expect lenders to consider include - but are not limited to: the type and amount of credit, the borrower's income and credit history, the amount and frequency of repayments, as well as the consumer's personal circumstances. I've listed below what checks MBNA have done and whether I'm persuaded these checks were proportionate.

I've looked at what checks MBNA said they did when initially approving Mrs M's application. MBNA said they looked at information provided by CRA's and information that Mrs M had provided before approving her application.

The information showed that Mrs M had declared a gross annual income of £38,000. Mrs M has said that she had other debt at the time which included a £3,000 MBNA loan. But MBNA had been able to calculate Mrs M's monthly credit commitments, and they deducted this figure from her disposable income. The checks showed that MBNA had used ONS data to calculate £500 a month living costs, in addition to the £750 a month housing costs. So they

determined that Mrs M had around £962 a month disposable income to meet her MBNA credit card repayments.

I've considered what Mrs M has said about MBNA not requesting payslips or bank statements. But they are not required to request payslips and bank statements from every applicant. This would not always be proportionate. So I've looked at what other information MBNA had access to, in order to say whether they should have completed further checks.

The data from the CRA showed that Mrs M had no County Court Judgements, no defaults, and she had no accounts in arrears at the point of application (and no arrears in the previous eight months). There were no signs from the checks that MBNA completed that Mrs M wouldn't be able to sustainably afford the repayments on the credit card she was approved for.

So I'm satisfied that the checks MBNA carried out here, prior to approving the application were proportionate and that MBNA made a fair lending decision to approve Mrs M's application for the MBNA account.

I've considered what Mrs M has said about MBNA allowing her to make large transactions within a short period of time. But Mrs M would be able to use the available credit as she wished. Once MBNA believed the credit was affordable for Mrs M, I wouldn't expect them to interfere with how she used the credit. My understanding is that the money transfers attracted an introductory offer, so it would not be unusual for a customer to take advantage of this.

And I'm not persuaded it would be foreseeable to MBNA that Mrs M would exceed her credit limit or be late with repayments when the CRA reported she wasn't in arrears on any of her accounts prior to the application being approved, and it appeared she had a large disposable income, even after her existing credit commitments were taken into account.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I can't conclude that MBNA lent irresponsibly to Mrs M or otherwise treated her unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here. So it follows I don't require MBNA to do anything further.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 24 January 2025.

Gregory Sloanes
Ombudsman