

The complaint

Ms C complains that MBNA Limited lent irresponsibly when it approved her credit card application and went on to increase the credit limit.

What happened

Ms C applied for a credit card with MBNA in December 2022. In Ms C's application, she said she was earning £50,000 that MBNA calculated as £3,100 a month after deductions. Ms C said she had a mortgage and was paying £700 a month for housing. Ms C also advised she was single with two dependents. MBNA applied an estimate of Ms C's outgoings of £647 a month. MBNA carried out a credit search and found no adverse information or evidence of recent missed payments. MBNA says Ms C was making monthly repayments of around £620 a month towards her existing unsecured debts. MBNA says that when it applied its lending criteria it found Ms C had an estimated disposable income of £845 a month after covering her existing outgoings. MBNA approved Ms C's application and issued a credit card with a limit of £5,000.

In June 2023 MBNA increased the credit limit to £6,050. MBNA says that before it increased the credit limit it checked Ms C's credit file and the repayments she'd made since December 2022. MBNA says the credit limit increase was approved in line with its lending criteria.

Ms C's told us that she was divorced in 2021 and took over responsibility for managing household finances. Ms C's also explained that she suffers with long standing and serious mental health difficulties that have impacted her ability to work. Last year, Ms C complained to MBNA as she felt it lent irresponsibly. MBNA issued a final response on 20 June 2024 but didn't uphold Ms C's complaint. MBNA said it had carried out the relevant lending checks before approving Ms C's credit card application and increasing the credit limit and that the repayments were affordable based on the information it obtained. MBNA also said Ms C could contact its specialist support team in relation to her account and mental health to discuss options and whether it could help with her account.

An investigator at this service looked at Ms C's complaint. They thought MBNA should've carried out better checks before approving Ms C's application and then increasing the credit limit. The investigator looked at monthly bank statements before the application in December 2022 and credit limit increase in June 2023. The investigator thought Ms C's bank statements showed she was able to afford the credit card and credit limit increase. The investigator thought MBNA would've still approved Ms C's application if it had checked her bank statements first.

Ms C asked to appeal and explained she's current signed off from work and struggling. Ms C provided information about her ongoing mental health difficulties and treatment. Ms C also explained the income noted in the application was wrong and that she finds it hard to manage her finances. Ms C provided a budget plan that showed her income exceeds her outgoings each month and that she had multiple debts that weren't being covered. Ms C also said MBNA had closed her account and recorded a default on her credit file, causing further distress. As Ms C asked to appeal, her complaint has been passed to me to make a decision.

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 lend or increasing the credit limit, the rules say MBNA had to complete reasonable and proportionate checks to ensure Ms 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 circumstances by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.

When Ms C applied for the credit card in December 2022 she provided details of her income and circumstances. Ms C said she was employed full time with an income of £50,000 that MBNA calculated would've left her with £3,100 a month after deductions. Ms C also confirmed she was divorced and had two dependents. Ms C also said she had a mortgage with housing costs of £700 a month. MBNA applied an estimate of Ms C's regular outgoings for essential living costs, using nationally recognised data, of £647 a month. I can see that MBNA completed a credit search and was aware of Ms C's existing commitments, with monthly repayments of £620. No evidence of missed payments or adverse information was found on Ms C's credit file and only one credit search was noted as having been completed in the previous six months. In my view, MBNA obtained reasonably detailed information about Ms C's circumstances during the application. But given Ms C was already making unsecured repayments of £620 a month and MBNA was considering a credit limit of £5,000, I think it would've been reasonable for it to have considered a more comprehensive approach to her application and carrying out further checks.

One option available to MBNA would've been to review Ms C's bank statements for the preceding months to get a clearer picture of her circumstances which is what I've done. I can see that whilst Ms C wasn't earning £3,100 from a single source, she was receiving monthly income around that level. Ms C received an average of around £3,125 a month from her job, universal credit and child benefit. I can also see monthly payments of £322 a month from a third party. So I'm satisfied that whilst Ms C may not have been earning £3,100 a month from a single source, as MBNA used in the application, that figure does appear to be broadly accurate in terms of the funds she received each month.

I've also looked at Ms C's regular outgoings for items like her housing, existing credit commitments, utilities, insurance, transport, communications and food. Ms C's bank statements indicate that after meeting her existing commitments, she had around £400 a month available. Ms C's bank statements don't show she was struggling financially with returned direct debits or payments or regular fees. In my view, Ms C's bank statements indicate she had capacity to sustainably afford a new credit card with MBNA. I think that if MBNA had carried out more comprehensive lending checks it would've still most likely

approved Ms C's credit card application. I'm sorry to disappoint Ms C but I haven't been persuaded that MBNA lent irresponsibly when it approved a credit card with a £5,000 limit.

MBNA hasn't provided the evidence to show the lending checks it completed before approving the credit limit increase to £6,050 in June 2023. In the absence of that information, I'm unable to conclude it carried out reasonable and proportionate checks. So, again, I've looked at Ms C's bank statements to get a clearer understanding of her circumstances in the three months before the credit limit increase was approved.

Ms C's bank statements continue to show she was receiving income from a job, universal credit and child benefit. On average, Ms C received income totalling around £3,230 a month as well as payments of £347 from a third party. I've again looked at Ms C's regular outgoings and living expenses, in line with the approach I took above. After Ms C met her existing commitments and expenses there was around £360 to £400 available (not counting the £347 she was being paid by the third party). I note that Ms C was no longer using her overdraft facility in the same way and was overdrawn for only a limited period each month. Again, there were no signs I was able to see that Ms C was overcommitted or struggling. In my view, if MBNA had looked at Ms C's bank statements it's more likely than not it would've still approved the credit limit increase to £6,050 in June 2022. I'm very sorry to disappoint Ms C but I haven't been persuaded that MBNA lent irresponsibly when it increased her credit limit.

Ms C's provided us with detailed and very personal information about her mental health and the impact it has on her day to day life. I'd like to assure Ms C that I've read and considered everything she's told us and the evidence she's provided when reaching my decision. In terms of the decision to approve Ms C's application and then increase the credit limit, I haven't seen anything that would've identified the issues she's told us about to MBNA. So I'm unable to say MBNA acted unfairly by lending as it wasn't aware of Ms C's circumstances at the time.

Ms C's asked MBNA to write off the outstanding balance given her circumstances. I'm aware the account has been closed at default. But I think it's fair to say that by closing Ms C's account it means no further interest or charges can be applied, increasing the outstanding balance. And I can see that MBNA's final response invited Ms C to contact its specialist support team to look at her circumstances and the support it can offer. In the circumstances, I can't tell MBNA to write off Ms C's outstanding balance. But MBNA is aware it needs to treat customers who are in financial difficulty positively and sympathetically. And given what Ms C's told us about her circumstances and mental health, MBNA will need to ensure it approaches any discussions about repayment with Ms C sensitively and only agree an arrangement that is affordable to her. If Ms C hasn't done so already, she may wish to obtain some independent guidance. Our website provides details of various organisations who offer debt support and advice that Ms C may wish to consider.

I've considered whether the business acted unfairly or unreasonably in any other way including whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think MBNA lent irresponsibly to Ms C or otherwise treated her unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

I'm very sorry as I realise my decision is likely to come as a disappointment to Ms C, but as I haven't been persuaded MBNA lent irresponsibly or treated her unfairly I'm unable to uphold her complaint.

My final decision

My decision is that I don't uphold Ms C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms C to accept or reject my decision before 14 February 2025.

Marco Manente
Ombudsman