

The complaint

Miss L complains that MBNA Limited have irresponsibly lent to her.

What happened

Miss L was approved for an MBNA credit card in March 2020 with a £4,000 credit limit. She says that this was irresponsibly lent to her. Miss L made a complaint to MBNA.

MBNA did not uphold Miss L's complaint. They said Miss L declared an annual income of £40,000 and she had monthly housing costs of £775. They said they also used information from a Credit Reference Agency (CRA). MBNA said Miss L passed all of their checks. Miss L brought her complaint to our service.

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

Miss L asked for an ombudsman to review her complaint. She made a number of points. In summary she said MBNA should have carried out further checks before accepting her for another credit card, and she was already in a lot of debt at the time MBNA approved her application. Miss L said that she was self-employed, and she lost her contract later that year due to the pandemic, and her income wasn't the same every week.

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.

Firstly, I'm aware that I've only summarised Miss L's complaint points. And I'm not going to respond to every single point made by her. No discourtesy is intended by this. It simply reflects the informal nature of our service as a free alternative to the courts. If there's something I haven't mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual point to be able to reach what I think is a fair outcome.

Before agreeing to approve the credit available to Miss L, 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.

MBNA said they looked at information provided by CRA's and information that Miss L had provided before approving her application. The information showed that Miss L had declared a gross annual income of £40,000. Although Miss L has said she lost her contract later that year due to the pandemic, I'm not persuaded that this would have been foreseeable to MBNA at the point of the initial checks.

Miss L has said that she had other debt at the time which included a loan and another credit card. But MBNA had been able to calculate Miss L's monthly credit commitments based on information they received from a CRA, and they deducted this figure from her disposable income.

So while Miss L did have existing debt, MBNA did account for her monthly repayments in the affordability calculation. The checks showed that MBNA had used a mixture of information from Miss L (her housing costs), the CRA and modelling. So they determined that Miss L had around £799 a month disposable income to meet her MBNA credit card repayments.

In addition to this, Miss L had applied for a balance transfer. So if she used the MBNA credit to pay off some of her other credit card debt, this could result in her having more disposable income as a result of her paying less interest with her other provider.

I've considered what Miss L has said about MBNA not requesting further information from her. But they are not required to request things such as 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.

Due to the time that's passed, MBNA don't now have access to the credit file information they saw prior to approving the account. I'd like to thank Miss L for sending us a copy of her credit file which covers the timeframe prior to this lending decision. While it's possible that MBNA may have used a different CRA for their data, it's unlikely the data would be substantially different between different CRA's.

The data from the CRA that Miss L has provided us with showed that Miss L 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 six months). There were no signs from the checks that MBNA completed (or any signs on her credit file that she provided us with) that Miss L 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 Miss L's application for the MBNA account.

While I can empathise with Miss L's current situation. I would urge her to contact MBNA to see how they can assist her if she is unable to afford the repayments on her 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 Miss L 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 Miss L to accept or reject my decision before 24 April 2025.

Gregory Sloanes

Ombudsman