

The complaint

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

What happened

Mrs F was approved for an MBNA credit card in December 2018 with a £3,300 credit limit. In May 2022 she was approved for a £25,000 MBNA personal loan. She says MBNA irresponsibly lent to her. Mrs F made a complaint to MBNA.

MBNA did not uphold Mrs F's complaint. They said they used information from a Credit Reference Agency (CRA), and they said Mrs F passed all of their checks. Mrs F brought her complaint to our service. Our investigator did not uphold Mrs F's complaint. He said MBNA's checks were proportionate and they made fair lending decisions.

Mrs F asked for an ombudsman to review her complaint. She made a number of points. In summary she said she couldn't have her credit file showing adverse information as this would put her job at risk, she said MBNA should have carried out further checks before accepting her applications, and they could have requested bank statements from her based on the level of debt she already had. Mrs F said that the fact she had taken the maximum number of repayment holidays shows the lending was irresponsible. Mrs F forwarded a number of items such as utility bills and her bank statements for consideration.

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 Mrs F'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 Mrs F, 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.

Acceptance for the MBNA credit card

MBNA said they looked at information provided by a CRA and information that Mrs F had provided before approving her application. The information showed that Mrs F had declared a gross annual income of £33,000.

MBNA have said that they completed an affordability assessment, but due to the time that's passed they no longer hold this data, but they confirmed Mrs F had passed the affordability checks.

Mrs F has said that she had other debt at the time which was significant. It's probable that MBNA had been able to calculate Mrs F's monthly credit commitments based on information they received from a CRA and deducted this figure from her disposable income, but due to the time that's passed I can't confirm this.

I can see that from the information from a CRA that Mrs F had revolving debt (such as credit/store cards/overdrafts) of £6,553. So her existing credit card debt would have been less than 20% of her declared gross annual income. The data also shows that Mrs F wasn't utilising all of the credit available to her, as she had credit limits of £7,200 available to her.

I'm mindful that the £3,300 credit limit that she was approved for by MBNA would increase the total of her credit limits, but I'm also mindful that Mrs F applied for a balance transfer. So by doing this, it could free up more disposable income for her as it would be probable she would pay less interest as a result of transferring a large amount of her credit to an external credit card.

Mrs F did show £31,117 of unsecured loans/hire purchase outstanding balances which would equate to nearly all of her declared gross annual salary, however, her repayments would be fixed, and the outstanding debt should be reducing month by month.

The CRA told MBNA that Mrs F had no County Court Judgements (CCJ's), or defaults. There were no credit searches showing as being completed in the six months prior to the application checks, so it didn't appear as if Mrs F was recently hungry for credit. In addition to this, there were no arrears showing on her accounts for the six months prior to the application checks.

I've considered what Mrs F has said about the checks MBNA could have done. But they are not required to request things such as bank statements from every applicant. This would not always be proportionate

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 F's application for the MBNA credit card.

Application for the £25,000 personal loan

MBNA said they looked at information provided by a CRA and information that Mrs F had provided before approving her application. The information showed that Mrs F had declared a gross annual income of £57,400.

MBNA completed an affordability assessment. From the application data I've seen, Mrs F didn't declare any outgoings. But MBNA had assessed Mrs F's income using Current Account Turnover (CATO) data from a CRA. They also used information from a CRA and modelling to estimate Mrs F's outgoings.

While Mrs F had unsecured debt at the time the checks for her loan were completed, the CRA reported to MBNA that Mrs F was paying £786 a month for her credit commitments. The affordability assessment also included a figure for Mrs F's housing costs and essential living costs. MBNA also included a £50 a month buffer into their calculations.

So based on the affordability assessment it would appear that Mrs F would have enough disposable income based on the income she declared to be able to sustainably afford repayments for the £25,000 personal loan.

The CRA again told MBNA that Mrs F had no County Court Judgements (CCJ's), or defaults. There was one credit search showing as being completed in the six months prior to the application checks, but it doesn't say whether the account had been opened or not. The data showed there were no arrears showing on her accounts for the six months prior to the application checks.

MBNA would have also been aware that Mrs F had fully repaid her credit card balance that she had previously had with them, and she'd closed the account down.

So while I'd like to thank Mrs F for forwarding further documents for consideration, it wouldn't have been proportionate for MBNA to complete further checks here such as requesting Mrs F's bank statements as the checks did not show any clear signs of Mrs F financially struggling.

I've considered what Mrs F has said about her taking the maximum number of payment holidays on the loan was a sign the lending was unaffordable. But I'm not persuaded by this. I say this because the payment holidays on the loan appear to be first taken in late 2023, so I'm not persuaded that any future financial difficulty over a year later would be foreseeable to MBNA at the time they completed their checks.

So I'm persuaded that the checks MBNA carried out were proportionate, and they made a fair lending decision to approve Mrs F's £25,000 personal loan.

While I'd like to thank Mrs F for her giving us further context about the reason why her credit file wouldn't show adverse information due to this putting her job at risk, it would be reasonable for MBNA to take into account that there was no adverse information showing on Mrs F's credit file at the time of the checks for both the credit card and the personal loan.

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 F 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 F to accept or reject my decision before 1 May 2025.

Gregory Sloanes
Ombudsman