

Complaint

Mr D has complained about a credit card MBNA Limited ("MBNA") provided to him. He says his financial situation was not considered adequately and this resulted in him being issued with a credit card and a limit increase which he couldn't afford.

Background

MBNA provided Mr D with a credit card with an initial limit of £3,900.00 in February 2019. The credit limit on Mr D's credit card was then subsequently increased to £5,900.00 in December 2023.

One of our investigators reviewed what Mr D and MBNA had told us. And he thought MBNA hadn't treated him unfairly when initially offering Mr D his credit card or subsequently increasing his credit limit. So he didn't think that MBNA had done anything wrong or that it needed to pay any compensation.

Mr D disagreed and asked for an ombudsman to look at the complaint.

My findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Mr D's complaint.

Having carefully considered everything, I'm not upholding Mr D's complaint. I'll explain the reasons for my decision in a bit more detail.

MBNA needed to make sure it didn't lend irresponsibly. In practice, what this means is MBNA needed to carry out proportionate checks to be able to understand whether Mr D could afford to repay any credit it provided.

Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

MBNA says it agreed to provide Mr D with a credit card and limit increase after it carried out a credit search and obtained some information on his income and expenditure. The information obtained suggested that Mr D had some existing debts but these were well managed and reasonable in comparison to his income. In MBNA's view, the information

obtained indicated that Mr D would be able to make the monthly repayments due for this credit card and the limit increase.

On the other hand, Mr D says that this credit card shouldn't have been provided to him.

I've considered what the parties have said.

What's important to note is that Mr D was provided with a revolving credit facility rather than a loan. And this means that MBNA was required to understand whether credit limits of £3,900.00 and £5,900.00 could be repaid within a reasonable period of time, rather than all in one go.

Credit limits of £3,900.00 and £5,900.00 weren't small nonetheless they didn't require huge monthly payments in order to clear the full amount owed within a reasonable period of time. I say this particularly as Mr D was initially being provided with a credit card which had a promotional interest rate. This meant that all of Mr D's payments would go to reducing what he owed.

MBNA's credit check did indicate that Mr D did have some existing debts. But it's fair to say that these were being relatively well managed. For example, there was no significant adverse information such as defaulted accounts, county court judgements or insolvencies recorded against Mr D. Indeed, the information MBNA relied on suggests that Mr D total unsecured debts wasn't unreasonable compared to his cross-checked declaration of income at the time.

I also say this while mindful that Mr D had a 0% interest balance transfer option on this card and transferring some of his existing debt, to a much lower interest rate, on to this account is likely to have improved his financial position. Given the amount of the likely monthly payments, Mr D's existing debts and the total amount of funds he's likely to have been in receipt of, at the time of the card being provided and the limit increase, there is a reasonable argument to say that MBNA's checks did go far enough in this instance.

Indeed, as Mr D was transferring existing credit card balances on to this account at 0% interest, he was likely to be paying less interest than he would have done had the balance stayed where it was. And he was therefore able to make larger inroads into his balances. In any event, even if more needed to be done here, at the absolute most it could be argued that MBNA needed to obtain information on Mr D's actual living costs at the time of the limit increase. But I don't think that MBNA would have made a different decision even if it had asked Mr D for such information.

I say this because I've not seen anything that shows me that when Mr D's committed non-discretionary regular living expenses and existing credit commitments were deducted from the funds he received, he did not have the funds to make a sustainable repayment to the full amount he could owe as a result of the limit increase. So, in these circumstances, it's difficult for me to conclude that MBNA wouldn't have increased Mr D's credit limit even if it had tried to find out more about his regular living costs at this time.

Finally, as I've explained, approving this application led to MBNA providing Mr D with balance transfers, with a promotional 0% interest offer, on this card. And this was in circumstances where there wasn't a history of Mr D obtaining funds in this way and then breaching the terms and conditions of the agreement therefore losing the terms of the balance transfer offer either.

So I'm satisfied that MBNA was reasonably entitled to believe that approving this credit card could reasonably leave Mr D in a better financial position. As this is the case, I'm also

satisfied that MBNA was reasonably entitled to believe that it wasn't increasing Mr D's indebtedness in a way that was unsustainable or otherwise harmful.

In reaching this conclusion I've also considered whether the lending relationship between MBNA and Mr D might have been unfair to Mr D under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think MBNA irresponsibly lent to Mr D or otherwise treated him unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

So overall and having considered everything, I don't think that MBNA treated Mr D unfairly or unreasonably when providing him with his credit card or increasing his credit limit. And I'm therefore not upholding Mr D's complaint. I appreciate this will be very disappointing for Mr D. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mr D's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 3 July 2025.

Jeshen Narayanan
Ombudsman