

Complaint

Mrs E has complained about a credit card MBNA Limited ("MBNA") provided to her. She says that the card was provided to her despite her existing high debt levels and clear difficulty.

Background

MBNA provided Mrs E with a credit card with a limit of £12,000.00 in July 2019. The credit limit on the card was never increased.

One of our investigators reviewed what Mrs E and MBNA had told us. And she thought MBNA hadn't done anything wrong or treated Mrs E unfairly. So she didn't recommend that Mrs E's complaint be upheld. Mrs E disagreed and asked for an ombudsman to look at her 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 Mrs E's complaint.

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 Mrs E could afford to repay any credit it provided.

Having carefully considered everything, I've decided not to uphold Mrs E's complaint. I'll explain why in a little more detail.

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 Mrs E's application for a credit card after it obtained information on her income and carried out a credit search. And the information obtained indicated that Mrs E would be able to make the monthly repayments due on a credit limit of £12,000.00. On the other hand, Mrs E says that she shouldn't have been lent to given her existing debts and clear difficulty at this time.

I've considered what the parties have said.

What's important to note is that Mrs E was provided with a revolving credit facility rather than a loan. And this means that to start with MBNA was required to understand whether a credit limit of £12,000.00 could be repaid within a reasonable period of time, rather than all in one go. It's important to note that a reasonable period of time isn't defined in the rules. Although, the guidance indicates that the typical term associated with repaying a fixed-sum loan of this much provides a useful yardstick. A typical term for a loan for around £12,000.00 would be around five years.

From the information provided, it looks like Mrs E declared that she was employed and earning just under £68,000.00 a year, which it cross-checked against information from credit reference agencies on the funds that she received into her main bank account each month. Mrs E also declared monthly mortgage payments of around £630 too.

MBNA's credit check did not indicate that Mrs E had had any recent previous difficulties repaying credit – such as defaulted accounts or county court judgments recorded against her. However, these checks will have shown that Mrs E did have some existing debts - some of which were on credit cards.

Mrs E says that she shouldn't have been lent to because of her existing debts. However, I note that this credit card had a 0% interest rate offers for balance transfers. And Mrs E had the option of transferring some of her existing credit card debt, to a much lower interest rate, on to this account.

Indeed, I think that Mrs E applied for this credit card in order to transfer existing balances on to this account at 0% interest. I note what Mrs E has said about previously repaying her credit cards with borrowed funds – including a secured mortgage – but MBNA wouldn't have had a full credit report in order to have begun the process of contemplating this.

What MBNA would have seen and be expected to know is that Mrs E did transfer interest accruing balances onto this credit card. I'm therefore satisfied that Mrs E was always likely to pay less interest than she would have done had the balance stayed where it was and she was therefore able to make larger inroads into her balance.

Nonetheless, I think that given the amount being lent here and the credit which MBNA was already aware of, there is a reasonable argument for saying that it would have been reasonable and proportionate for MBNA to find out a bit more about Mrs E's regular living costs before offering this credit card.

However, I don't think that proportionate checks would have extended into obtaining bank statements. I say this particularly as there is no requirement for a lender to obtain statements from a customer. Nonetheless, having considered the evidence Mrs E has provided, I don't think that MBNA obtaining further information on Mrs E's committed regular living expenses at the time and supplementing what it knew about her credit commitments, is likely to have led it to conclude that she did not have the funds to sustainably make the repayments due.

For the sake of completeness and given the importance Mrs E has placed on this, I would also add that even though it was entitled to rely on Mrs E's declaration of income in this instance, I'm satisfied that MBNA instead using what Mrs E now says about her income won't have made a difference to its decision. I say this because when Mrs E's committed expenditure and existing repayments towards credit are deducted from what she now says she received, Mrs E did have the funds to repay what she could owe on this credit card within a reasonable period of time.

So, in these circumstances, it's difficult for me to conclude that MBNA would have found out that Mrs E would be placed in a worse position, at this time, even if it had tried to find out more about Mrs E's actual income and regular living costs before taking the decision to offer her this credit card.

In reaching my conclusions, I've kept in mind that Mrs E was going to take advantage of a balance transfer offer and pay no interest on the credit card debt she was going to transfer for some time. Mrs E not having interest to pay on this debt will have given her a significantly greater opportunity to reduce what she already owed, as well as reduce what she would have to pay to balances that had already accrued. And, in these circumstances, MBNA had no reason to believe that Mrs E's indebtedness would increase.

This is also important given that I don't think a borrower transferring balances and then making minimum payments in these circumstances would be considered a sign of difficulty, as all of the minimum payment would be reducing the capital. So I'm not in agreement with Mrs E when she says that this activity ought to have led to MBNA having concerns. In any event, as the balance transfer was already interest free, I don't think that MBNA could exercise further forbearance on this debt that had already accrued prior to Mrs E's application for this card.

I'm sorry to hear that Mrs E found it difficult to repay her credit card and I know that she has gone through a very difficult time. However, I don't think that MBNA could reasonably have anticipated that this would happen. I'm glad to hear that Mrs E is in a better place now. And even though I think that MBNA's checks ought to have gone further – and extended into finding out about Mrs E's actual living expenses I don't think that it doing so would have seen it make a different lending decision as a result.

Overall I don't think that MBNA treated Mrs E unfairly or unreasonably when providing her with her credit card. And I'm not upholding Mrs E's complaint. I appreciate this will be very disappointing for Mrs E. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mrs E's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs E to accept or reject my decision before 19 August 2025.

Jeshen Narayanan
Ombudsman