

The complaint

Mr V is complaining that Lloyds Bank PLC trading as MBNA lent to him irresponsibly by providing him with a credit card.

What happened

In April 2013, MBNA approved Mr V's application for a credit card, giving him a limit of £20,000. They increased the limit to £25,000 around November 2014.

Mr V complained to MBNA in November 2024. He said he didn't think they'd carried out enough checks before lending to him and he thought they'd lent to him irresponsibly. He also said he wanted them to review how the account had been managed over its lifetime and suggested they should have taken actions to support him.

In their response to Mr V's complaint, MBNA said they had carried out appropriate checks to make sure the credit card was affordable. They said they'd looked at information provided by Mr V in his application and reviewed data from Credit Reference Agencies (CRAs). And they said before increasing his limit they looked at how he'd managed his account with them as well as CRA data. MBNA said while carrying out their investigation they'd reviewed Mr V's bank statements, and their view was that these showed the credit card and limit increase were affordable for Mr V.

MBNA also said Mr V had made all his payments on time until March 2024. They said at that point they'd stopped all interest on the account and allowed him two three-month payment holidays. In summary, MBNA didn't uphold Mr V's complaint. Mr V wrote to MBNA again but couldn't resolve things with them so brought his complaint to our service.

When he did so, Mr V said his bank statements in the months leading up to his application to MBNA show significant evidence of financial vulnerability, including large-scale gambling and consistent overdraft use. He said the availability of such a high credit limit facilitated his ability to continue gambling at harmful levels and caused significant financial, emotional and personal harm. Mr V also asked that we look into MBNA's behaviour later in the relationship, including the handling of his complaint, failure to acknowledge or act upon his vulnerability, and decision to escalate collection activity despite the ongoing complaint investigation.

One of our investigators looked into Mr V's complaint and said she thought it should be upheld. In summary, she said she hadn't seen enough evidence that MBNA had carried out reasonable and proportionate checks before lending to Mr V. She said that if they had, they'd have realised the lending wasn't sustainably affordable for him. Our investigator said MBNA should refund all interest and charges on the account.

Neither party agreed with our investigator.

Mr V said he thought the remaining balance of the debt should be written off in full. He said the lending was clearly unaffordable from the outset and had led to profound, long-term, and foreseeable harm. He said these consequences, including the breakdown of his marriage,

were a direct result of MBNA's credit facility. Mr V also said MBNA had failed to treat him fairly as a vulnerable consumer when they'd sold his debt during the course of the investigation. His view was that writing off the debt in its entirety was a just and proportionate remedy.

MBNA reiterated their view that they'd carried out proportionate checks at the time. They said they'd used CRA data to confirm Mr V's income. Given the level of his income, and their credit file review, they said there was nothing to prompt further checks. MBNA also said that even if further checks had been required, they thought Mr V's bank statements showed the agreement was affordable for him. And they said they didn't have a full picture of his financial circumstances from the information he'd provided. MBNA asked for an ombudsman's decision – and the matter's come to me.

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.

Having done so, I'm upholding Mr V's complaint for broadly the same reasons as our investigator – I'll explain more below.

What's required of lenders?

The Financial Conduct Authority (FCA) sets out in a part of its handbook known as CONC what lenders must do when deciding whether or not to lend to a consumer, or when increasing the amount they lend to a consumer. In summary, a firm must consider a customer's ability to make repayments under the agreement without having to borrow further to meet repayments or default on other obligations, and without the repayments having a significant adverse impact on the customer's financial situation.

CONC says a firm must carry out checks which are proportionate to the individual circumstances of each case.

Did MBNA carry out proportionate checks?

MBNA have told us before approving Mr V's application they obtained his annual income from his application form and used a model to verify this. They've said this model combines data from other credit applications with current account turnover data. MBNA haven't been able to provide any evidence of this check.

MBNA also said they checked Mr V's credit file. They haven't provided a copy of the full check. But their notes show they found Mr V had a mortgage, a credit card with a balance of around £10,600 against a limit of £11,450, and a current account.

It's clear from their notes that MBNA also asked Mr V about his mortgage. The note is dated 23 April 2013 and says that the customer confirmed he had two mortgages – one with a balance of around £1.5 million and monthly payments of £4,150, and one with monthly payments of £450.

Whether or not these checks were proportionate depends on the amount and term of the lending, and what MBNA found. MBNA approved Mr V's application for a credit card with a limit of £20,000. Because it was revolving credit, there's no fixed repayment schedule. CONC says a lender must assume a customer will draw down the whole balance at the outset and then repay it within a reasonable timeframe. It's reasonable to assume with this

amount of credit that it might take a few years to repay. MBNA suggested that meant Mr V would have needed to pay around £1,000 per month. And I'm satisfied that's a reasonable suggestion.

Mr V told MBNA his gross annual income was around £109,000. In that context, £1,000 per month doesn't seem particularly significant at first glance. But, after deducting an estimated amount for tax and national insurance, that income would have been around £5,500 per month. And Mr V had told MBNA he was paying £4,500 per month towards his existing mortgages. On top of that he had existing credit card debts for which he'd likely need to be paying at least £250 per month.

On that basis, MBNA ought to have done more to understand Mr V's financial circumstances – because with net income of £5,500 per month and payments to mortgages and existing credit card debt totalling around £4,750 per month, the payments needed under the MBNA agreement wouldn't have allowed for any other spending.

In summary, I'm not persuaded MBNA carried out reasonable and proportionate checks given the size of Mr V's existing credit commitments.

If MBNA had done proportionate checks, what would they have found?

Mr V has provided copies of his bank statements for three of his bank accounts and I've reviewed these for the three months leading up to the opening of the credit card. He's also provided his tax return for the tax year ended 5 April 2013 and the director loan report from his business which shows how much he was owed by his business at the time. Mr V hasn't been able to obtain bank statements for his joint account, but I'm satisfied I have enough information to determine whether MBNA could have fairly decided to lend to him.

Mr V's tax return suggests he had very little income. It shows employment income of around £8,000 for the year, and profits of around £5,500 from renting out a property. Mr V's bank statements show that his other sources of income were gambling and spread betting, and repayments from his business of his director loans.

In terms of expenditure, Mr V's bank statements show that his monthly mortgage payments were around £4,360 and £525. The direct debit for the larger payment was rejected in February 2013 but went through in March 2013. The statements also show credit card payments averaging £235 per month and payments to a friend for a personal loan of £1,000 per month. There was a one-off payment for utilities in February 2013 of £450. But the statements don't show any other household bills. Instead, Mr V's told us that he transferred money to the joint account to cover these. I can see transfers averaging £2,000 per month across the period which he's said would have been more than enough. He told us he covered all household bills while his wife's modest income was used for her own expenses and those of their child.

The bank statements also show extensive gambling. And Mr V's provided statements from the companies he used most often. These show that he lost over £14,000 in the three months from January to March 2013 with one gambling company, nearly £11,000 on spread betting, and over £1,500 at a casino in the same timeframe.

I can't say MBNA necessarily should have looked at Mr V's bank statements. But that would mean they'd have needed to rely on the automated income figure they'd verified – given Mr V's tax return showed minimal income they wouldn't have been able to verify his income any other way. As I've explained above, MBNA verified Mr V's declared income, which would have worked out as around £5,500 per month. Mr V's credit commitments alone came to £6,120. So if MBNA had used Mr V's declared income but done more to understand his

expenditure then they'd have found he had no disposable income and wouldn't have been able to fairly decide to lend to him.

MBNA might then have decided they wanted to understand more about Mr V's income. As most of it was from director loan repayments, it wouldn't have been taxed. But these director loan repayments weren't a reliable or regular source of income. And Mr V was also putting money back into the business because, he's told us, that was also struggling. MBNA would have had to obtain Mr V's bank statements to see these payments, at which point they'd have seen the extent to which he was gambling. His losses over the three months before their lending decision were at least £26,000. If they'd seen this, they wouldn't have been able to fairly decide to lend to Mr V – it would have been clear that this was irresponsible.

So, in summary, if MBNA had carried out reasonable and proportionate checks, they'd either have used the income figure Mr V had declared, and concluded he couldn't afford to take on more credit, or they'd have looked at his bank statements to verify his income and realised that it would be irresponsible to lend to him because of the extent of his gambling. It follows that I'm satisfied MBNA shouldn't have approved the credit card for Mr V.

Because the credit card shouldn't have been opened, I don't need to consider the credit limit increase – there would have been no limit to increase.

Did MBNA act unfairly in any other way?

Mr V's also complained about how the account was managed and that he wasn't given more support. I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974.

Once the account was open, Mr V spent over £6,000 on gambling and withdrew over £1,200 in cash in the first two months, incurring over £350 in fees for these transactions. The account went over the credit limit after six months, and Mr V continued to make minimum payments only, as he had from the start. So, it's clear he wasn't managing the account well.

However, because I'm upholding Mr V's complaint for the reasons I've already given, I don't need to make a finding on MBNA's actions in response to this. I'm satisfied the redress I'm directing below results in fair compensation in the circumstances of Mr V's complaint.

Putting things right

Mr V has told us he thinks MBNA should write off the entire debt because of the level of harm caused by the credit card. But I disagree. I'm not satisfied the level of harm was necessarily foreseeable. As I've explained above, MBNA would have had cause to decline the card based solely on his existing creditors even without being aware of the extent of Mr V's gambling. In addition, a significant majority of the spending on Mr V's card doesn't relate to gambling – so I can't say he hasn't benefited from these funds. It wouldn't be fair for him to have that money back.

On balance, I'm satisfied that MBNA should refund all interest and charges on the account, but not any of the capital. My understanding is that MBNA have sold Mr V's account to a third party – if that's the case, they'll need to buy it back before taking the steps set out below.

My final decision

As I've explained above, I'm upholding Mr V's complaint. Lloyds Bank PLC trading as MBNA need to take the following steps to settle the matter:

- Rework the account removing all interest, fees, charges and insurances (not already refunded) that have been applied.
- If the rework results in a credit balance, refund this to Mr V along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement.
- If, after the rework, there is still an outstanding balance, Lloyds Bank PLC trading as MBNA should arrange an affordable repayment plan with Mr V for the remaining amount.
- Once Mr V has cleared the balance, Lloyds Bank PLC trading as MBNA need to arrange for any adverse information relating to the account to be removed from his credit file.

*HM Revenue & Customs requires Lloyds Bank PLC trading as MBNA to deduct tax from any award of interest. They must give Mr V a certificate showing how much tax has been taken off if he asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr V to accept or reject my decision before 27 October 2025.

Clare King
Ombudsman