

The complaint

Mr B complains that MBNA Limited trading as MBNA irresponsibly lent to him.

What happened

Mr B was approved for an MBNA credit card in November 2014 with a £8,600 credit limit. The credit limit was increased to £13,500 in March 2016. Mr B says that MBNA irresponsibly lent to him. Mr B made a complaint to MBNA, who did not uphold his complaint. MBNA said that they believed the credit limits offered were responsible and within his affordability. Mr B brought his complaint to our service.

Our investigator did not uphold Mr B's complaint. He said that although he couldn't say that MBNA made proportionate checks, he reviewed Mr B's bank statements leading up to each lending decision, and he concluded that he couldn't say MBNA made unfair lending decisions.

Mr B asked for an ombudsman to review his complaint. He made a number of points. In summary, he said in 2016 he was starting to struggle and he must have owed more than his annual salary by this point (if not already by 2014). He said he was using credit cards to pay for food and other day to day expenditure, so his bank statements did not give the full picture of his financial circumstances at the time.

As my findings differed in some respects from our investigator's, I issued a provisional decision to give both parties the opportunity to consider things further. This is set out below:

"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 Mr B's complaint points. And I'm not going to respond to every single point made by him. 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 or increase the credit available to Mr B, MBNA needed to make proportionate checks to determine whether the credit was affordable and sustainable for him. 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

I've looked at what MBNA said they looked at as part of the account opening checks. I'll address the credit limit increase in the next section. MBNA said they looked at information provided by Credit Reference Agencies (CRA's) and information that Mr B had provided

before approving his application. But information is limited due to the time that's passed. Mr B declared a gross annual income of £30,000.

The checks showed that Mr B had a total of £3,000 of unsecured debt at the time of the checks. Due to the time that's passed, MBNA don't hold any other data of what the CRA checks showed. So I can't see if Mr B had defaulted in the past on an agreement or had a County Court Judgement registered. I also can't see other information which they may have been given such as any recent arrears on accounts. Therefore I'm not able to say that the checks they performed prior to the credit card being opened were proportionate or not.

But based on the amount of credit limit MBNA were approving for Mr B (over 28% of his gross annual declared income), I think it's probable that further checks should have been completed by MBNA to ensure that the opening credit limit would be affordable and sustainable for him.

There's no set way of how MBNA should have made further proportionate checks. One of the things they could have done was to contact Mr B to ensure he could afford the repayments for an £8,600 credit limit. Or they could have asked for his bank statements as part of a proportionate check to ensure the lending was sustainable and affordable for him.

Mr B has provided his bank statements leading up to this lending decision. There does appear to be financial difficulties leading up to the initial lending decision. I say this because Mr B took out a payday loan leading up to this lending decision for only £150. It did appear that Mr B might have borrowed money from an individual. I say this as he received credits from an individual, which Mr B would transfer money back to her often later that month. Mr B was reliant on an overdraft for a large portion of the three month period.

It does not appear that Mr B had the disposable income in order to meet sustainable repayments for a £8,600 credit limit, so if MBNA would have completed further checks, I'm not persuaded that they would have approved the £8,600 credit limit for Mr B. So I'm not persuaded that they made a fair lending decision here.

March 2016 credit limit increase - £8,600 to £13,500

If Mr B's account was not opened with a £8,600 credit limit, then it's probable that the further lending decision wouldn't have happened after this either. So I think there is an argument for saying that Mr B's complaint about the subsequent lending decision should be upheld without making a finding on reasonable and proportionate checks. After all, if matters had played out as the evidence suggests they should have done in November 2014, then I'm not persuaded that MBNA would've added to the credit.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed at the end of this decision results in fair compensation for Mr B in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case."

I invited both parties to let me have any further submissions before I reached a final decision. Mr B accepted the provisional decision. MBNA did not respond to the provisional decision.

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.

As neither party have provided me with any further information to consider, then my decision and reasoning remains the same as in my provisional decision.

Putting things right

In the provisional decision I said I intend to uphold this complaint. I said I intend to ask MBNA Limited trading as MBNA to take the following actions:

MBNA should arrange to transfer any debt back to themselves if it has been passed to a debt recovery agent or liaise with them to ensure the redress set out below is carried out promptly;

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, this should be refunded to Mr B along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement. MBNA should also remove all adverse information regarding this account from Mr B's credit file;

Or, if after the rework there is still an outstanding balance, MBNA should arrange an affordable repayment plan with Mr B for the remaining amount. Once Mr B has cleared the balance, any adverse information in relation to the account should be removed from Mr B's credit file.

I'm still satisfied this is a fair outcome for the reasons given previously.

**If MBNA considers that they are required by HM Revenue & Customs to deduct income tax from that interest, they should tell Mr B how much they've taken off. They should also give Mr B a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.*

My final decision

I uphold this complaint. MBNA Limited trading as MBNA should settle the complaint in line with the instructions in the *"Putting things right"* section above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 22 October 2025.

Gregory Sloanes
Ombudsman