

The complaint

Mr H, represented by his wife Mrs H, has complained that MBNA Limited were irresponsible when providing him with a loan.

What happened

MBNA provided Mr H with a loan for £25,000 in April 2023, requiring monthly payments of around £460 per month for six years.

Mr H says this was irresponsible. He says the checks carried out were insufficient and a more thorough check would have revealed that the required repayments were unaffordable

MBNA reviewed Mr H's complaint and upheld it. They agreed with Mr H that they should have seen that the repayments were going to be unaffordable and should have declined the loan.

MBNA have subsequently sold the debt to a debt collection agency, so to put things right, they refunded all fees and charges associated with the loan to the debt collection agency, reducing the remaining debt.

Mr H remained unhappy as he also felt they should remove the adverse information recorded on his credit file, so brought the complaint to our service.

An investigator then reviewed the merits of Mr H's complaint, agreed that MBNA had made an irresponsible lending decision and felt that in addition to the actions taken with regards to fees and charges, they should also pay Mr H £100 for the distress and inconvenience caused, but disagreed with Mr H with regards to removing the adverse information on his credit file.

MBNA accepted our investigator's view, but Mr H remained unhappy. In summary he felt that the adverse information on his credit file will have a negative impact on him for the foreseeable future and that the distress and inconvenience award wasn't enough to fully reflect the impact this has had on him

Because an agreement couldn't be reached, the complaint has been passed to me to decide.

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've agreed with our investigator's view which I know will disappoint Mr and Mrs H, so I'll explain why.

The rules and regulations in place at the time MBNA provided Mr H with the loan required them to carry out a reasonable and proportionate assessment of whether he could afford to repay what he owed in a sustainable manner. This is sometimes referred to as an 'affordability assessment' or 'affordability check'.

The checks had to be 'borrower' focused. This means MBNA had to think about whether repaying the credit sustainably would cause difficulties or adverse consequences for Mr H. In

other words, it wasn't enough for MBNA to consider the likelihood of them getting the funds back – they had to consider the impact of any repayments on Mr H.

Checks also had to be 'proportionate' to the specific circumstances of the lending. In general, what constitutes a proportionate affordability check will be dependent on a number of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, any indications of vulnerability or financial difficulty) and the amount/type/cost of credit they were seeking.

As referenced above, MBNA have upheld Mr H's complaint, agreeing that they hadn't performed suitable checks and shouldn't have agreed to the loan. This aspect isn't in dispute, and by refunding all interest, fees and charges, MBNA have taken the appropriate action that this service would have directed. I can also see that a repayment plan has been set up between Mr H and the debt collection agency, for the remaining balance.

With regards to Mr H's credit file. MBNA advised Mr H that they wouldn't remove the adverse records from his credit file until the debt had been fully repaid. Mr H is very unhappy about this, explaining that he has agreed a repayment plan with the debt collection agency but that this will take a very long time to be paid off in full, and therefore he will continue to be affected into the future.

I understand Mr H's perspective on this, but MBNA are correct when they say they can't remove the records from the credit file at this stage, so I agree with their position. If we asked MBNA to remove this, they would need to record information that doesn't accurately reflect Mr H's situation, and would therefore be wrong. It could create a risk for other financial organisations who rely on the accuracy of this information, potentially also creating future issues for Mr H as well.

Our investigator recommended that MBNA pay Mr H £100 to reflect the distress and inconvenience caused. Mr H doesn't think this takes into account the full impacts that the loan has had on him and refers to ongoing impacts as well.

I have considered this throughout my investigation and I do agree that Mr H has suffered due to MBNA providing this loan. It is clear that Mr H has suffered with stress and his mental health.

When assessing what is fair in the circumstances, I can only consider the impacts that have materialised and can't make awards for issues that may arise in the future, It is on this basis, that I agree that £100 compensation fairly reflects the impact caused.

I've also considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, I'm satisfied that this outcome is fair for Mr H in the circumstances of his complaint. And based on what I've seen, no additional award would be appropriate in this case.

Putting things right

MBNA have already refunded the interest, fees and charges to the debt collection agency, and I note it has already offered to do some of what I've directed below. So while I know this isn't the full outcome that Mr H was hoping for, for completeness, MBNA should:

- Pay Mr H £100 for the distress caused.
- When the outstanding balance has been cleared, remove the adverse information from Mr H's credit file.

My final decision

It's my final decision that I uphold Mr H's complaint against MBNA Limited and direct it to settle matters in the way I've outlined above

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 3 February 2026.

David Barker
Ombudsman