

The complaint

Miss M complains that Marks and Spencer Financial Services trading as M&S Bank lent irresponsibly when it approved her credit card application.

What happened

Miss M applied for an M&S Bank credit card in July 2024. In her application, Miss M gave an annual income of £24,660 that M&S Bank calculated left her with £1,652 a month after deductions. M&S Bank used a service provided by the credit reference agencies to verify the income figure Miss M gave. Miss M also confirmed she was a tenant.

A credit search found Miss M had existing unsecured debts totalling £12,502 with monthly repayments of £499. No adverse credit or recent missed payments were noted on the credit file.

An affordability assessment was completed using a net monthly income of £1,652 and making deductions of £406 for Miss M's rent, £621 as for her general living expenses and £499 for her existing debt repayments. M&S Bank says that left Miss M with £125 as a disposable income. M&S Bank approved Miss M's application and issued a credit card with a limit of £2,000.

More recently, Miss M complained that M&S Bank lent irresponsibly and it issued a final response. M&S Bank said it had carried out the relevant lending checks before approving Miss M's application and didn't agree it lent irresponsibly.

An investigator at this service ultimately upheld Miss M's complaint. They thought the disposable income figure of £125 a month *before* Miss M's new credit card payment indicated repayments were unlikely to be sustainable in the long term. The investigator asked M&S Bank to refund all interest, fees and charges applied to the account from the date of approval. M&S Bank didn't agree and asked to appeal saying it was comfortable repayments were affordable. As M&S Bank asked to appeal Miss M's complaint has been passed to me to make a 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.

Before agreeing to lend, the rules say M&S Bank had to complete reasonable and proportionate checks to ensure Miss M could afford to repay the debt in a sustainable way. These affordability checks needed to be focused on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:

- The amount of credit;
- The total sum repayable and the size of regular repayments;
- The duration of the agreement;

- The costs of the credit; and
- The consumer's individual circumstances.

That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate. Lenders may choose to verify a borrower's income or obtain a more detailed picture of their circumstances by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.

I've set out the information M&S Bank used when considering Miss M's application above. I can see Miss M's income was verified and M&S Bank made reasonable allowances for her rent and general living expenses. I've looked at the credit file information M&S Bank obtained and I note Miss M already owed £12,502 meaning her debt to income ratio was over 50%. So I think it's fair to say Miss M had existing debts that were already reasonably large when considered against her income.

The affordability assessment took Miss M's existing debts and outgoings into account reaching a view she had £125 a month remaining as a disposable income. I can see our investigator felt that wasn't sufficient to sustainably afford repayments to a new credit card with a limit of £2,000 and any unexpected or emergency costs Miss M may've had. I think the investigator made a reasonable point. The credit limit agreed was £2,000 so if Miss M borrowed the maximum and was making reasonable repayments of 5% a month, they would've come to £100. That would've only left Miss M with £25 remaining to cover anything that M&S Bank didn't include with her regular outgoings.

I appreciate M&S Bank's response to the investigator's view and the comments made about how it approaches affordability when looking at a credit card application. But given Miss M already had a high level of debt and a very limited disposable income, I think she lacked flexibility if anything unexpected or any emergency costs came up. In my view, the information available to M&S Bank should've shown Miss M was unlikely to be able to sustainably afford a new credit card with a limit of £2,000. On balance, I'm satisfied M&S Bank lent irresponsibly when it approved Miss M's application so I'm upholding her complaint and directing it to refund all interest, fees and charges applied from the date of approval.

I've considered whether the business acted unfairly or unreasonably in any other way including whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed below results in fair compensation for Miss M in the circumstances of her complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

My final decision

My decision is that I uphold Miss M's complaint and direct Marks and Spencer Financial Services trading as M&S Bank to settle as follows:

- 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 Miss M along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement. M&S Bank should also remove all adverse information regarding this account from Miss M's credit file.
- Or, if after the rework there is still an outstanding balance, M&S Bank should arrange an affordable repayment plan with Miss M for the remaining amount. Once Miss M has cleared the balance, any adverse information in relation to the account should be removed from their credit file.

*HM Revenue & Customs requires M&S Bank to deduct tax from any award of interest. It must give Miss M a certificate showing how much tax has been taken off if she asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 11 March 2026.

Marco Manente
Ombudsman