

complaint

Mr V makes a number of complaints about MBNA Limited, all related to two overdrafts he had with that bank.

background

Mr V had two credit card accounts with MBNA. He complains that MBNA increased his credit limits without asking him, and also increased his interest rates in 2008. He fell into financial difficulties in 2013, and stopped making payments to the accounts in April of that year, and they fell into arrears. He complains that MBNA rejected his offers to part settle his debts, and sold his debts without telling him. He says MBNA should have converted his debt into a loan. And he also complains that MBNA should never have given him the accounts in the first place, in 1995 and 1998.

MBNA pointed out that it was entitled to increase the interest rates, it had told Mr V about it at the time, and he had continued to use the cards. But since it hadn't offered him an option to opt out, it offered to refund him the difference between what he was charged under the new interest rate (34.9% APR) and what he would have been charged under the original rate (29.9%). It also offered to pay Mr V an additional eight per cent of that amount as interest (less tax), plus £100 compensation for his inconvenience. That comes to £11,230.66. Our adjudicator thought that was fair.

Our adjudicator did not uphold any other part of this complaint. What happened in the 1990's was too long ago for our service to investigate now. MBNA had only increased the credit limit on one of his accounts, and our adjudicator thought it had acted responsibly in doing so. He found that MBNA had told Mr V that it might sell his debt to a third party. MBNA had accepted his offer to part settle the debts, which only didn't happen because Mr V's other creditors did not agree to do the same. MBNA didn't have to convert his debt into a loan, and it no longer administers his accounts.

Mr V denies receiving any correspondence about the sale of his debts. He says he told MBNA he had changed his address, but it had failed to do so and had instead written to his old address. The adjudicator did not accept that, and so Mr V has asked for an ombudsman to consider his complaint.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. I agree with our adjudicator's assessment, for largely the same reasons he gave.

I will not investigate the opening of the accounts. 1998 is so long ago that what happened then is not in our service's jurisdiction. And the account which was opened in 1995 was opened at a different bank, and transferred to MBNA in 2008, so the decision to let Mr V open that account was nothing to do with MBNA. Nevertheless, Mr V had the use of those accounts for many years before he fell into financial difficulty. So I don't think there is anything in this ground of complaint.

MBNA increased the credit limit on one account from £4,200 to £5,100 in 2003. It increased it again to £5,700 six months later. It was not increased again. That is years before Mr V's financial problems began. I have no reason to suppose that these decisions were not made

in a responsible manner, taking into consideration Mr V's account history and credit file. And MBNA actually *rejected* Mr V's request for another increase in 2005. That further supports its case that it did not lend irresponsibly. After that, it was still Mr V's choice how much money he spent. Meanwhile, MBNA reduced the credit limit on his other account in 2008 and 2009. I think that is further evidence, if any were needed, that MBNA acted responsibly.

In July 2013 Mr V tried to part settle his debts by offering to pay his creditors 21 per cent of each debt. MBNA accepted this offer. But the settlement didn't happen, because some of the other creditors did not agree to it. That's hardly MBNA's fault. He later made another offer of 24 per cent, but by then the debt had been sold to a third party in March 2014. MBNA isn't responsible for what happened after the debt was sold. And it was under no obligation to convert the debt into a loan.

Various letters, notices of arrears and notices of default were sent to Mr V in relation to both accounts during 2013. These warned Mr V that his debts could be sold to another company. Mr V says he didn't receive them, because he had changed his address in April that year, before they were sent. He says this deprived him of the opportunity to pay off the debt before it was sold. But I don't think there's anything in that last point. The fact that Mr V offered to part settle the debt before it was sold – an offer MBNA accepted – shows that Mr V was not deprived of that opportunity by anything MBNA did.

In any event, I think that MBNA did enough to tell Mr V about selling the debt. Mr V relies on a phone call he made to MBNA in September 2013 in which he says he told the bank about his new address. But MBNA recorded that call. During the call Mr V told MBNA not to update his address yet, and to keep his old address until he had moved to a permanent new address. He would then call MBNA to ask it to update his address when he was ready. But MBNA says it has no record of him updating his address after that, so it continued to write to his old address. So I don't find that MBNA is responsible for Mr V not receiving its letters.

MBNA's offer of compensation for increasing the interest rates without offering Mr V an opt-out is generous. It's more than I would have awarded. So I don't require it to do more.

my final decision

My decision is that I uphold this complaint to the extent that I order MBNA Limited to pay Mr V the £11,230.66 it has offered him.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr V to accept or reject my decision before 4 January 2016.

Richard Wood
ombudsman