

complaint

Mr P complains about MBNA Limited ("MBNA") and irresponsible lending in relation to a credit limit increase. He wants MBNA to refund to him all interest and charges and to remove references to late payments or defaults.

background

Mr P has held a credit card with MBNA since 2011.

In Mid 2015, MBNA wrote to Mr P indicating that it intended to proactively increase his credit limit. Mr P did not respond to this letter and in June 2015 his credit limit was increased from £2400 to £4800.

Mr P continued to use his card, including using it for spending on gambling.

In spring 2018, Mr P contacted MBNA to advise that his circumstances had changed and he was now experiencing financial difficulties.

MBNA put a block on his card and halted fees and interest so that further debt was not accrued on Mr P's card.

Mr P complained to MBNA. He thought that the business had been irresponsible in its lending to him by increasing his credit limit, in light of his spending on gambling, his debts elsewhere, and that he usually only paid the minimum payments on his statement.

The business sent its final response to his complaint in June 2018. It rejected his complaint on the basis that it had carried out an assessment of his management of the account before increasing his limit, and it was not aware of any issues he had with gambling.

Mr P was not happy with that response and contacted us.

One of our adjudicators has looked into Mr P's concerns and set out her views to the parties. She considered that the business's decision to increase Mr P's limit was reasonable because Mr P had remained within his limit for a long period and he was meeting his minimum payments. The adjudicator also noted that Mr P was making payments in addition to the minimum payments. She therefore did not consider that there was evidence that the business had done anything wrong.

Mr P was unhappy with this view and sent in further comments. These included that he did not think that the business had considered his wider commitments and change in salary when deciding to increase his limit, and he thought that the spending on gambling should have alerted the business to his difficulties. He therefore asked that an ombudsman consider his complaint.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I sympathise with Mr P's change in circumstances and the difficulties that he has found himself in. I note that he has said that he borrowed from friends and family to keep to his repayments and I appreciate that this must have been distressing.

I do, however, have to look at whether the business has acted wrongly, in light of what it knew, or should have known, at the time of the lending. The fact that lending has ultimately become unaffordable does not mean that it was wrong to lend at the time.

When Mr P opened his account, he was employed on a higher salary and with fewer outgoings. In mid 2015, when MBNA looked at proactively increasing his credit limit, it has demonstrated that it undertook checks on Mr P's credit worthiness and credit risk. It found that Mr P had maintained his accounts and was not over indebted at that time.

Mr P feels that the business should have taken into account his spending habits, and the fact that his salary had by that time changed, when deciding whether or not to increase his limit.

The business did not take into account Mr P's changed salary as it did not have that information. I do not think this is unreasonable and there is no evidence that Mr P alerted MBNA to a change in his circumstances at that time.

The business has said that it would not automatically consider evidence of gambling to be problematic, and would view gambling spending in the context of other indicators of affordability, such as whether the customer was making their repayments or exceeding the limit. I understand that Mr P finds this frustrating, but he was managing his account well and in the circumstances I do not think MBNA were wrong to offer Mr P an increase in his limit.

The business has demonstrated that it offered Mr P the increased limit and gave him the opportunity to refuse the increase. Mr P was aware of the changes to his income and that he had borrowed from friends and family so was able at that time to refuse the credit increase, or to speak with MBNA to look at reducing his debt. He did not do this. I also see that in the period immediately after his credit limit was increased Mr P was able to make significant payments to his card and reduce the balance.

Whilst I accept that Mr P later encountered difficulties, I do not think that MBNA acted wrongly on the basis of the information available to it at the time by increasing his limit. Whilst I understand that Mr P will be disappointed with this decision, I do not uphold Mr P's complaint and do not ask MBNA to do anything more.

my final decision

For the reasons set out above, I do not uphold Mr P's complaint and do not ask it to do anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 5 December 2018.

Laura Garvin-Smith
ombudsman