

The complaint

Ms Y complains that MBNA Limited was irresponsible to lend to her.

What happened

Ms Y was approved for a credit card with MBNA in January 2016. The credit limits were increased as follows:

<u>Date</u>	<u>Credit Limit</u>
13 Jan 2016	£1,000
3 Aug 2016	£1,500
26 Apr 2017	£2,000

Ms Y says she was using the credit to pay off other credit commitments and could only afford to repay the minimum each month which was not sustainable. She says it's affected her credit file and she has now been diagnosed with anxiety and depression as a result.

MBNA says it asked Ms Y about her income and housing costs and used data from the Office of National Statistics (ONS) to estimate her other expenditure. Combined with information it received from its credit checks, it found the initial lending, and the subsequent credit limit increases were sustainably affordable to Ms Y. It says there was nothing about the way in which Ms Y managed her account that gave it cause for concern – she rarely used it and repayments were on time. MBNA adds that Ms Y told it, in early 2021, that her income had been impacted by the pandemic and her account fell into arrears.

Our investigator did not recommend the complaint should be upheld. Although she thought MBNA should have found out more about Ms Y's committed expenditure, she found it likely that proportionate checks would have demonstrated the borrowing was sustainably affordable.

Ms Y responded to say, in summary, that not all her expenditure had been taken into account and she'd like the case reviewed by an ombudsman.

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.

I need to take into account the relevant rules, guidance and good industry practice.

Bearing this in mind, in coming to a decision on Ms Y's case, I have considered the following questions:

- Did MBNA complete reasonable and proportionate checks when assessing Ms Y's application and credit limits to satisfy itself that she would be able to repay the credit in a sustainable way?
 - If not, what would reasonable and proportionate checks have shown?
- Did MBNA make fair lending decisions?
- Did MBNA act unfairly or unreasonably in some other way?

Initial Application

When Ms Y applied for the credit card, I've seen evidence to show MBNA checked her credit file and asked her about her income and housing costs. The results of these checks showed Ms Y had:

- A declared income of £26,000 per year;
- Declared rental costs at £400 per month;
- Other credit card debt of £2,495;
- No adverse information on her credit file.

I acknowledge that MBNA says it has limited information about the checks it carried out and I don't find that to be unreasonable given the initial lending was almost eight years ago. However, as a credit card is a long-term, open-ended commitment, I consider MBNA should have ensured it fully understood Ms Y's financial circumstances, including verifying her income and regular expenditure.

So, I've had a look at Ms Y's bank statements from the time as a reasonable proxy for what proportionate checks are likely to have shown MBNA:

- Ms Y's income was £1,474 per month;
- Her monthly rent was £492;
- She was repaying a career development loan at £89 per month;
- Bank charges were around £30 per month;
- Combined credit card repayments were £75;
- Other regular monthly payments came to about £70 per month.

This left Ms Y with over £700 each month to cover food and travel and any other expenditure. I can see her rough expenditure on food and travel was less than £400, so I'm satisfied the new credit card, with a limit of £1,000 was affordable to her.

Credit Limit Increases in August 2016 and April 2017

Ms Y's financial circumstances were largely unchanged when her credit limit was increased. Her income had increased slightly to £1,511, and, by the second limit change her rent had decreased to £464. She was keeping her current account in credit so there were no bank charges, and she appears to have repaid the career development loan. I can see she was

now making additional repayments towards a bank loan of £171 per month, but I'm still satisfied that the credit limit increases were affordable to her.

Indeed, there was nothing in the management of her credit card account that should have indicated to MBNA that the credit limit increases were unaffordable. Following an initial balance transfer to the card in January 2016, which she repaid in full in March 2016, Ms Y had not used the facility since.

So, in summary, I don't find that MBNA acted irresponsibly by approving the credit card or increasing its limit. I'm satisfied it made a fair lending decision and I've seen no evidence to suggest it acted unfairly or unreasonably in any other way. That said, it is clear from Ms Y's more recent credit file that she got into difficulties during the pandemic, so whilst I find the credit was affordable to her at the time MBNA approved it, I can see that may no longer be the case. MBNA has a responsibility to Ms Y to respond positively and sympathetically to her current financial issues, but I note that it is now working with her debt management company and has agreed an affordable repayment plan going forward.

Finally, I acknowledge that Ms Y has recently been diagnosed with a mental health condition and, although MBNA would not have been aware of this at the time of its lending decisions, it should make reasonable adjustments as required going forwards.

My final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms Y to accept or reject my decision before 2 January 2024.

Amanda Williams
Ombudsman