

The complaint

Mrs W complains that MBNA Limited lent irresponsibly when it approved her credit card application.

What happened

In April 2020 Mrs W applied for a credit card with MBNA that came with balance transfer promotional interest rates. Mrs W said she was employed with an income of £47,000 and a homeowner with mortgage costs of £450 a month. MBNA carried out a credit search and found Mrs W had monthly repayments for her existing commitments of around £736 along with a jointly held mortgage. MBNA says it applied essential living costs of £434 to Mrs W's outgoings and overall found she had around £1,262 each month as disposable income. MBNA approved a credit card with a £7,100 limit.

Mrs W went on to complete balance transfers to the account using the promotional interest rates available.

Earlier this year, Mrs W complained that MBNA had lent irresponsibly and failed to carry out reasonable and proportionate checks before approving her application. MBNA issued a final response on 9 February 2024 but didn't uphold Mrs W's complaint. MBNA gave information setting out the sorts of checks it had completed and confirmed the application had been approved in line with its lending criteria.

An investigator at this service looked at Mrs W's complaint. They noted Mrs W had two missed payments in the previous 12 months to an account showing on her credit file and thought that should've led MBNA to ask some further questions before approving the application. But the investigator wasn't persuaded that MBNA had lent irresponsibly and didn't uphold Mrs W's complaint. Mrs W asked to appeal and provided further bank statements that she felt showed she was already overcommitted at the point of applying for a credit card with MBNA. As Mrs W asked to appeal, her 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 MBNA had to complete reasonable and proportionate checks to ensure Mrs W 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 considered the information MBNA had available when Mrs W applied for her credit card. Mrs W's application said she was employed with an income of £47,000 and MBNA calculated a net monthly take home figure of £2,882. In addition, Mrs W said she had mortgage costs of £450 and monthly credit commitments of £450. I note that when MBNA carried out a credit search it found Mrs W's credit commitments actually came to around £736 so it used that figure in its calculations. I also note that MBNA applied living costs of £434 to the application along with Mrs W's mortgage costs. The information available to MBNA showed Mrs W had a reasonable level of disposable income at the end of each month of £1,262.

I understand that Mrs W had two missed payments recorded on her credit file with another business over the previous 12 months. But MBNA's evidence shows it was aware of the missed payments and factored them into its lending decision. Our investigator felt MBNA ought to have queried this point with Mrs W. But given Mrs W's credit file shows this wasn't a regular occurrence and I'm satisfied MBNA took the missed payments into account, I haven't been persuaded it acted unfairly by proceeding with the application.

I'm sorry to disappoint Mrs W but I haven't been persuaded that MBNA failed to complete reasonable and proportionate checks when considering her application. And I haven't seen information that would've caused it to consider taking a more comprehensive approach, like requesting bank statements, before deciding whether to proceed. In my view, the information available to MBNA was reasonable to the type and amount of credit Mrs W was applying for and it carried out proportionate checks before approving the credit card. As I haven't been persuaded that MBNA lent irresponsibly, I'm not upholding Mrs W's complaint.

My final decision

My decision is that I don't uphold Mrs W's complaint. Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 4 June 2024.

Marco Manente
Ombudsman