

## The complaint

Mr M complains that MBNA Limited (MBNA) lent to him irresponsibly.

## What happened

Mr M opened his MBNA credit card account in May 2021. In May 2022, he had a limit of £7,400 and on the May 2022 statement the balance was £3,545 debit.

In May 2022, MBNA offered to increase Mr M's limit to £12,400. He accepted the offer and the limit was increased.

Between September 2022 and November 2022, Mr M made ATM cash withdrawals totalling £3,220 in 12 withdrawals. I have summarised the account here:

Statement date	Balance (debit)	Limit	Paid in	Cash withdrawn
June 2022	£0	£12,400	£3,653	0
July 2022	£457	£12,400	£5,849	0
August 2022	£1,462	£12,400	£1,000	0
September 2022	£1,926	£12,400	£110	0
October 2022	£2,868	£12,400	£610	£1,220 (6 withdrawals)
November 2022	£8,647	£12,400	£1,810	£2,000 (6 withdrawals)
December 2022	£8,453	£12,400	£263	0

Mr M complained. He said:

- He was overindebted at the time of the increase and MBNA couldn't have done sufficient checks.
- Because of the increase, he then withdrew cash and paid cash withdrawal fees – which were unfair.
- He now had a large debt to MBNA.
- He was vulnerable at the time.
- He says the cash withdrawal fees should be refunded and the debt partially written off.

MBNA didn't uphold Mr M's complaint and said:

- They only offer an increase in limit to cardholders when it's responsible to do so. Mr M's account conduct was good at the time of the offer.
- Mr M could call MBNA at any time to ask for a reduction in credit limit, or to request there are no increases offered.
- Mr M was free to use his card as he wished, including the withdrawing of cash. Cash withdrawal fees are shown on each of the monthly statements.
- There was no indication of any vulnerabilities in Mr M's records at the time of the increase in limit.

Mr M brought his complaint to us. Our investigator didn't uphold it. He said:

- When the limit increase was offered, there was nothing to suggest Mr M was in financial difficulty.
- He made regular payments to the account – some of them large.
- Between May 2022 and November 2022, Mr M paid the account up to date and usually exceeded the minimum payment needed.
- Mr M provided a copy of his credit report – and this showed he was up to date with all of his credit commitments at the time of the limit increase.

Mr M asked that an ombudsman looks at his complaint, and so it has come to me to make a final 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.

All lenders have an obligation to lend money responsibly. We have to check whether MBNA acted in line within the Financial Conduct Authority (FCA) rules on creditworthiness assessment as set out in its handbook, (CONC) section 5.2. These say that a firm must undertake a reasonable assessment of creditworthiness, considering both the risk to it of the customer not making the repayments, as well as the risk to the customer of not being able to make repayments. We look at:

- Whether the lender completed reasonable and proportionate checks to satisfy itself that the borrower would be able to repay any credit in a sustainable way?
- If reasonable and proportionate checks were completed, did the lender make a fair lending decision bearing in mind the information gathered and what the lender knew about the borrower's circumstances?
- And a reasonable and proportionate check would usually need to be *more* thorough:
  - the lower a customer's income, and the higher amount to be repaid.
  - the greater the number of loans and frequency of loans.
  - the longer the term of the loans

I looked at the limit increase with this guidance in mind.

MBNA said Mr M passed their credit checks when they offered the increase. They told us this showed he had loan debts of £27,207, and revolving debts of £9,770. We asked Mr M for his credit report – as this would show his financial position at the time, and what MBNA could see. So – this is an important document. Mr M showed this to us and it showed that as at May 2022:

- There were total debts of £47,500 on four credit cards/ bank current account and a loan agreement. While this may look high – I could see they were all paid to date.
- A payday loan was paid off in October 2022 – it ran for one month.
- There were no County Court Judgements (CCJs), defaults or arrears on any of Mr M's credit agreements.

So, what this means is – it appeared that Mr M was managing his finances well, and could afford the payments to all his lenders. MBNA would've seen this – and therefore, I'm satisfied they made reasonable and proportionate checks.

Added to this, it can be seen that he was managing his MBNA account well – he was making payments to it, and sometimes paid it off completely.

I know Mr M has argued he did that by drawing on his other credit cards – but if this was on balance transfers, it's more likely than not that these were at preferential (or zero) rates of interest – and so benefitted him in terms of lower interest paid.

Turning to the cash withdrawals – Mr M argues these were signs he was in financial difficulty and should've been a warning sign to MBNA. But here – they took place after the event of the limit increase: we can't expect MBNA to have known he was going to make the cash withdrawals when he agreed to the increase. And – I agree that the fees for the cash withdrawals are set out on Mr M's monthly statements (fees are shown as 5%), as is the interest rate. I think it's reasonable to say that Mr M was free to use his credit limit as he wished.

Mr M has argued that he was vulnerable at the time. So we asked MBNA about that. They confirmed Mr M called them in December 2022 – to say he was in financial difficulty and was therefore vulnerable, and MBNA noted that. But here – this was after the limit increase in May 2022 – and we can't reasonably expect MBNA to have considered Mr M as vulnerable at that time if he hadn't advised them as such.

Mr M has recently said he made further cash withdrawals in February 2023. But – as these were after MBNA's final response (dated November 2022), this is not something we can look at. If Mr M wishes to bring a further complaint about those, he should contact MBNA in the first instance.

I appreciate Mr M feels strongly about his complaint and therefore will be disappointed by my decision, but I'm not asking MBNA to do anything here.

### **My final decision**

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 18 January 2024.

Martin Lord

**Ombudsman**