

## The complaint

Mr M complains that MBNA Limited (“MBNA”) irresponsibly gave him a credit card account he couldn’t afford.

## What happened

In January 2017, Mr M applied for and was granted a credit card account with MBNA with a credit limit of £3,200.

Shortly after the card was granted, Mr M used most of the available credit by way of a balance transfer.

In June 2018 the credit limit was reduced to £1,400 at Mr M’s request. Mr M repaid all the outstanding balance by August 2018 and then closed the account.

Mr M has complained to MBNA to say that he shouldn’t have been given the account and that MBNA ought to have made a better effort to understand his financial circumstances.

Our adjudicator at first didn’t recommend the complaint be upheld. But after Mr M provided some further information about his financial circumstances, our adjudicator decided to uphold the complaint.

In my provisional decision dated 7 September 2023, I explained why I wasn’t intending to uphold Mr M’s complaint. Essentially, whilst I thought MBNA could have carried out better checks before agreeing the lending, based on what I’d seen I wasn’t able to make a finding that MBNA had acted unfairly by agreeing to grant credit that might be unaffordable for Mr M. I set out an extract below:

*Did MBNA complete reasonable and proportionate checks to satisfy itself that Mr M would be able to repay the credit in a sustainable way?*

*Mr M’s complaint is that MBNA provided him with a level of credit that was unaffordable given his other existing credit commitments. MBNA has explained it carried out checks that included using a credit reference agency to work out of credit it was able to offer. It also relied on the information Mr M had provided in his application for the card. This included details about his income, showing he received a gross annual income of £40,000 – which means he had a net monthly income of around £2,500.*

*From the credit check it carried out, MBNA would also have been aware that Mr M already owed a significant amount of credit, being around £20,000 owed by way of credit cards and another £5,500 owing by way of loans. The credit checks MBNA carried out showed Mr M had a good credit history with no recent missed payments or adverse records on his credit file. I know that Mr M disputes this but I think MBNA was entitled to rely on the credit reference agency data it obtained at the time.*

*I agree with our adjudicator that MBNA could have carried out better checks before granting the credit, such as asking Mr M to provide details about his daily living costs and any other committed expenditure. I think in doing so MBNA would have been acting proportionately by seeking to gain a more thorough understanding of Mr M's financial circumstances before agreeing to open the account. I say this given the level of debt MBNA knew about plus the credit limit it was granting.*

#### *What would proportionate checks have shown?*

*I think it would have been proportionate for MBNA to have taken better steps to verify Mr M's financial circumstances. I see our adjudicator asked Mr M for some further details and evidence about his financial circumstances. In response Mr M provided his credit report, evidence of what he owed on credit cards and loans and also two bank statements – from August and December 2016. I see our adjudicator asked Mr M to also provide bank statements for November 2016 and January 2017, but Mr M said he couldn't obtain those. I think it would also have been helpful to see the bank statement for October 2016. The aim of making this request was to help us understand what, if anything, MBNA might have found out had it completed better and more and proportionate checks.*

*The bank statement evidence I've seen shows that Mr M was making regular use of his bank overdraft facility – to the extent that his monthly pay wasn't enough to bring his account into credit. Whilst regular reliance on an overdraft is a concern that MBNA would have been aware of had it carried out better checks, it doesn't automatically follow that regular use of an overdraft facility is in itself enough to suggest that any further new credit was likely to be unaffordable.*

*Based on what I've seen so far, and taking into account what I already know about Mr's M's financial situation at the time, including his existing debt commitments, I am not able to make a finding as to whether or not MBNA made a fair lending decision. So it follows that I also can't reasonably conclude that MBNA ought to have known the card might be unaffordable for him and that there was a risk of a deterioration in his existing financial position.*

*I'm therefore not currently persuaded that MBNA acted unfairly in approving this card together with the credit limit it granted."*

Mr M is unhappy with my provisional findings and is particularly concerned that I might not have seen all the documentation he provided to our adjudicator. He has sent in various copies of credit and loan statements to ensure that I have all the relevant information available to me.

MBNA said it had nothing to add to my provisional 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.

MBNA will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don't consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

In my provisional decision I said that I hadn't so far seen enough evidence or information to make a finding as to whether MBNA had made a fair lending decision. I fully understand Mr M's concerns, having seen my provisional decision, that we hadn't seen all the relevant information and I am grateful to him for taking the trouble to again send through details about the loans and credit he had at the time. Having looked through them, I would like to assure Mr M that from what I've seen, this information was for the most part the same as that which had been on the file prior to me issuing my provisional decision.

Mr M has expressed concern about the credit check MBNA carried out before it approved his account and granted him his opening credit limit. MBNA used one of the main credit reference agencies when carrying out its check. In doing so, and as I said in my provisional decision, MBNA was entitled to rely on the results that search provided. The nature of the credit check process means that it's sometimes possible that the information shown in a search requested from one agency won't be the same as that shown in a credit search carried out by a different agency. This is why the search MBNA relied on may not have included all of the cards and loans Mr M held at the time. I should say that whilst a different credit bureau may possibly have shown different information, it may still not have shown the full level of Mr M's credit commitments.

In my provisional decision I said that given the level of credit that MBNA was aware of from its search that Mr M was holding it would have been proportionate for it to carry out better checks before granting the credit. But the bank statement information I've seen doesn't suggest to me that had MBNA carried out further checks, it would necessarily have been apparent that Mr M's level of debt commitment was higher than the credit check it carried out had shown. So I am unable to make a finding that had MBNA taken steps to find out more about Mr M's financial situation it would have decided not to provide him with the opening credit.

I appreciate this outcome will come as a disappointment to Mr M. I say this being very much aware of the understandable concern he has had about whether all the information on the file was provided to me and what my findings were based on. I do regret that on this particular occasion I am unable to help Mr M any further.

### **My final decision**

For the reasons I've given above, I am not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 27 October 2023.

Michael Goldberg  
**Ombudsman**