

## **Complaint**

Mrs B has complained about a credit card MBNA Limited ("MBNA") provided to her. She says she shouldn't have been provided with a credit card that had such a high credit limit.

## **Background**

MBNA provided Mrs B with a credit card with an initial limit of £2,500.00 in September 2015. The credit limit was increased to £4,100.00 in May 2016.

One of our investigators reviewed what Mrs B and MBNA had told us. And she thought MBNA hadn't done anything wrong or treated Mrs B unfairly in relation to providing the credit card or increasing the credit limit. So she didn't recommend that Mrs B's complaint be upheld. Mrs B disagreed and asked for an ombudsman to look at her 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.

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Mrs B's complaint.

MBNA needed to make sure it didn't lend irresponsibly. In practice, what this means is MBNA needed to carry out proportionate checks to be able to understand whether Mrs B could afford to repay any credit it provided.

Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

MBNA says it initially agreed to Mrs B's initial application for a credit card after it obtained information on her income and carried out a credit search. And the information obtained indicated that Mrs B would be able to make the monthly repayments due on a credit limit of £2,500.00. MBNA says that Mrs B was then offered a credit limit increase to £4,100.00 in May 2016 as the information it had suggested that Mrs B could afford the increased payments that would be required.

On the other hand Mrs B says that she shouldn't have been lent to or had her credit limit increased. I've considered what the parties have said.

What's important to note is that Mrs B was provided with a revolving credit facility rather than a loan. And this means that to start with MBNA was required to understand whether a credit limit of £2,500.00 could be repaid within a reasonable period of time, rather than all in one go. A credit limit of £2,500.00 required reasonable monthly payments, rather than the whole amount to be paid in one go, in order to clear the full amount owed within a reasonable period of time.

From the information provided, it looks like Mrs B declared that she was employed and earning £25,000.00 a year (there was also a suggestion that her household received £60,000.00 a year). MBNA's credit check did not indicate that Mrs B had had previous difficulties repaying credit either.

Furthermore, Mrs B had active debt balances of just under £8,500.00 at the time of the application – the vast majority of which was on existing credit cards. And Mrs B was going to take advantage of a balance transfer offer and pay no interest on the credit card debt being transferred for a period of 14 months.

So there wasn't anything obvious in the information gathered which suggests that Mrs B couldn't have made the required payments to the credit card. If anything, she would have lower outgoings as she wouldn't have to pay interest on the debt that she was transferring in the way that she was prior to this application. As this is the case, I'm satisfied that the checks carried out before Mrs B was initially provided with her credit card were reasonable and proportionate.

For the credit limit increase, it appears as though MBNA relied on Mrs B's account having been managed well in the nine months or so since her account had been opened. I do accept that Mrs B appears to have been making minimum payments in the period leading up to the limit increase was granted. And, in some circumstances, this could be an indication of difficulty.

But I'm mindful here that the payments being made were simply for the direct debit instruction Mrs B set up. And more importantly, it isn't unusual for a customer to make payments in this way while they are not paying interest on an outstanding balance. So I don't think that this in itself was something for MBNA to be concerned about.

Nonetheless, given the amount of the likely increased monthly payments as well as what MBNA ought to have been aware of, I do think that it would have been reasonable and proportionate for MBNA to find out a bit more about Mrs B's regular living costs before offering the credit limit increase.

However, I've not been provided with sufficient information that would leave me to conclude that MBNA would have made a different decision even if it had asked Mrs B for more information. I say this because Mrs B has not provided me with sufficient evidence and information about her finances, at the time, that shows me when her committed regular living expenses and existing credit commitments were deducted from her income (in the leadup up to May 2016), she did not have the funds, at the time at least, to sustainably make the repayments due.

In reaching this conclusion, I've kept in mind two particular factors. Firstly, Mrs B has said that her financial situation altered when she went on maternity leave in 2017. And this was some months after the decision to provide her with a limit increase had already been taken. So MBNA cannot reasonably be expected to know that this would happen.

Secondly, Mrs B's balance on her MBNA credit card was also reducing. Mrs B may say that it was reducing slowly. Nonetheless, it wasn't increasing with further purchases. So MBNA

had no reason to believe that Mrs B might have been taking out further credit – by purchasing essentials on this credit card - to cover the repayments she was making.

It's also worth noting that Mrs B was about to be offered a further interest free offer too, which meant that she transferred debt that she already accrued and was already paying interest on, to an account where she wouldn't pay any interest for an extended period.

Mrs B says that further checks would have shown MBNA that her debt was growing. I don't know whether this was the case, as I've not been provided any evidence of this and like I've said, Mrs B says her circumstances changed from 2017 onwards. But, in any event, MBNA was allowing Mrs B to pay off existing debts on an interest free basis, in circumstances where Mrs B had reduced what she owed on her previous balance transfer balance.

So, in these circumstances, it's difficult for me to conclude that MBNA would have found out that Mrs B would be placed in a worse position, at this time, even if it had tried to find out more about Mrs B circumstances before taking the decision to offer her a credit limit increase.

I fully accept it's possible that Mrs B's position might have been worse than what it looks like from the information I've been provided with, or that it worsened before the period she has referred to. But it wouldn't be fair and reasonable for me to use hindsight here, or say that MBNA should have known this was the case at the time it was making its lending decisions. This is especially as the available information provided does not show me that Mrs B could not repay what she could owe at the time the lending decisions were made.

So overall while I'm sorry to hear that Mrs B found making her credit card payments a struggle and she ended up in difficulty, I don't think that MBNA treated Mrs B unfairly or unreasonably when providing her with her credit card or subsequently increasing her credit limit. And I'm not upholding Mrs B's complaint. I appreciate this will be very disappointing for Mrs B. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

### **My final decision**

For the reasons I've explained, I'm not upholding Mrs B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 6 February 2024.

Jeshen Narayanan  
**Ombudsman**