

The complaint

Mr P complains that MBNA Limited lent irresponsibly when it approved his credit card application.

What happened

In November 2018 Mr P applied for a credit card with MBNA. In his application, Mr P said he was a homeowner with a mortgage of £431 a month. Mr P also said he was employed full time with an income of £28,000. MBNA carried out a credit search and found no evidence of County Court Judgements or recent arrears. MBNA found Mr P had one default on his credit file. Credit card balances of around £2,500 were found. A loan with £175 was also found along with another debt with an outstanding balance of £56.

MBNA says it applied its lending criteria and approved a credit card with a limit of £2,300. Mr P went on to complete balance transfers of £647 and £1,492 in December 2018.

Earlier this year, Mr P complained to MBNA and said it lent irresponsibly when approving his credit card application. MBNA issued a final response on 21 March 2024 and incorrectly said Mr P had waited too long to raise his complaint.

Mr P referred his case to this service and it was passed to an investigator. In its file submission, MBNA confirmed it should've issued a merits based final response to Mr P when he complained and explained why it didn't believe it had lent irresponsibly. MBNA provided evidence from Mr P's application, including the information he gave and what it found on his credit file.

Our investigator initially upheld Mr P's complaint but following further submissions from MBNA decided to reject it. The investigator thought MBNA had carried out reasonable and proportionate checks before deciding to approve the credit card and didn't uphold Mr P's complaint. Mr P asked to appeal and said MBNA had failed to complete checks on his bank statements. Mr P added that he had a history of payday loans on his credit file in advance of his application to MBNA along with numerous other credit cards. Mr P made further points regarding his outstanding debts, arrears and payday loans he feels MBNA should've considered before accepting his application. As Mr P asked to appeal, his 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 Mr P 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 looked at all the information MBNA had available when considering Mr P's credit card application. As noted above, Mr P provided details of his mortgage and residential status as well as confirming he was employed with an income of £28,000. There's no requirement under the rules for MBNA to have verified Mr P's income specifically and I'm satisfied that the level he declared was reasonable when compared against his job title. I wouldn't have expected MBNA to query the level of income Mr P declared and am satisfied it reasonably relied on what he said.

MBNA also carried out a credit search and has sent us the results. I note Mr P's response to the investigator says he had multiple payday loans during the period before his credit card was approved. But that's not reflected in the credit file results MBNA obtained. Mr P sent us a copy of his credit file for the last six years. But that doesn't show any evidence of payday loans taken out in advance of the MBNA credit card application either. All the payday loans I saw on Mr P's credit file were from the period after MBNA agreed to lend.

Mr P's told us that the payday loans were removed from his credit file after complaints he made were successfully upheld. But Mr P hasn't sent us any evidence to verify that. And I'm satisfied that, based on the information available and what MBNA found on Mr P's credit file, there was no evidence of active payday lending. I also think it's fair to say there was no evidence of any missed payments or CCJs on Mr P's credit file and the default MBNA found was factored into its lending assessment.

Further, the evidence MBNA found on Mr P's credit file appeared to show he was in a reasonable position. Mr P's mortgage payment of £431 was up to date and he had credit card balances totalling £2,438. Two other credit facilities were noted with outstanding balances of £56 and £175 but no other open credit was found in Mr P's name. So from MBNA's perspective, Mr P's outstanding unsecured debts appeared to be reasonably low when compared against his income and well handed. I haven't seen anything within the credit file information MBNA obtained or the information Mr P has sent us that would've indicated he was struggling financially.

I'm satisfied that MBNA took Mr P's income into account and used the mortgage and credit repayments it found on his credit file in its affordability assessment. And I'm satisfied that by approving a credit card with a limit of £2,300 MBNA was offering a facility that was proportionate to the application information it received and Mr P's circumstances as it found them. I'm sorry to disappoint Mr P but I'm satisfied that the level and nature of checks MBNA completed were reasonable and proportionate to the amount and type of credit he was applying for. I haven't seen anything that indicates MBNA needed to go further and obtain copies of Mr P's bank statements. I haven't found evidence that supports MBNA lent irresponsibly or failed to carry out proportionate lending checks. As a result, I haven't been persuaded to uphold Mr P's complaint.

I've considered whether the business acted unfairly or unreasonably in any other way including whether the relationship might have been unfair under Section 140A of the

Consumer Credit Act 1974. However, for the reasons I've already given, I don't think MBNA lent irresponsibly to Mr P or otherwise treated him unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

My final decision

My decision is that I don't uphold Mr P's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 3 October 2024.

Marco Manente
Ombudsman