

The complaint

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

What happened

The background to this complaint and my initial conclusions were set out in a provisional decision. I said:

Mr Y applied for a credit card with MBNA on 6 February 2021. In Mr Y's application, he said he was employed with an income of £89,100 and that he owned his property without a mortgage. Mr Y gave a monthly housing figure of £560 in his application.

A credit search was completed by MBNA which found Mr Y had existing repayments of around £139 a month. No adverse credit or missed payments were found on Mr Y's credit file.

MBNA calculated Mr Y's monthly income was £5,027 and deducted the £560 housing cost he noted in the application from that figure. MBNA also made deductions of £139 for Mr Y's existing credit and £478 as an estimate of his other essential living costs. MBNA calculated Mr Y had around £3,850 in disposable income available after meeting his commitments each month. MBNA says it used the credit reference agencies to help verify the level of income Mr Y declared.

MBNA approved Mr Y's application and issued a credit card with a limit of £13,000.

Mr Y's explained that at the time he made the MBNA application he was in an abusive relationship and that his ex partner coerced him into obtaining credit.

Mr Y's credit card accrued arrears towards the end of 2022 and was closed the following year.

More recently, Mr Y complained that MBNA lent irresponsibly and it issued a final response on 7 August 2023. MBNA said it had carried out the necessary lending checks when considering Mr Y's application and used the information he provided and found with the credit reference agencies. MBNA said no adverse credit was found on Mr Y's credit file and that it remained satisfied the credit limit of £13,000 was affordable based on the data it held.

Mr Y referred his complaint to the Financial Ombudsman Service and it was passed to an investigator to review. The investigator asked Mr Y for copies of his bank statements so they could get a better picture of his circumstances before his application was made. But Mr Y responded and explained he didn't have access to the bank statements required so wasn't able to supply them.

The investigator was able to source Mr Y's bank statements from his bank directly and looked at his current account in the months before his application was made. The investigator asked Mr Y a range of questions concerning the funds he was receiving into the

account each month, particularly from an a business I'll refer to as A. Mr Y didn't provide a clear explanation of what the funds from A represented. In other correspondence with the investigator, Mr Y said he was earning less than the £13,000 credit limit MBNA had gone on to approve.

Our investigator wasn't able to get a clear understanding of the information in Mr Y's bank statements and ultimately wasn't persuaded to uphold his complaint. Mr Y asked to appeal and pointed out he'd applied to both MBNA and another business that forms part of the same banking group (H) around the same time. Mr Y said that by approving two credit cards, both with limits of £13,000, he'd been given access to £26,000 by the same group of businesses. As Mr Y asked to appeal, his complaint has been passed to me to make a decision.

What I've provisionally 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.

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, the total cost of the credit and what it knew about the consumer at the time of application. I've applied this approach to Mr Y's complaint.

In my view, there were some inconsistencies in the application MBNA received from Mr Y in February 2021 that should've caused it to carry out better checks before approving the credit card. Mr Y said he was a homeowner without mortgage but noted a monthly housing cost of £560. And Mr Y didn't provide any details of other outgoings beyond that figure. Given the size of the credit limit, I think MBNA should've gone further before deciding whether to proceed with the application.

One option would've been to review Mr Y's bank statements to get a better picture of his circumstances at the time of his application. Our investigator was able to source Mr Y's bank statements for the months immediately preceding his MBNA credit card application directly from his bank. The investigator went back to Mr Y to ask various questions about his bank statements, including what payments he was receiving from a business I'll refer to as A represented. I note that Mr Y received monthly payments from A of between £5,520 and £7,130. There's no evidence of any repayments being made to A from Mr Y's bank account. I think it's likely these payments represent Mr Y's income rather than any borrowing. But Mr Y's advised he's unable to recall what the payments related to or given us further details of the transfers to and from his account at the time.

I'm sorry to disappoint Mr Y but without being able to understand the movements in his current account, I'm unable to reasonably make a finding concerning what MBNA would've decided if it had asked to see them. In the circumstances, I've relied on the data MBNA had available when considering Mr Y's application.

As noted above, MBNA calculated Mr Y had around £3,850 in disposable income available each month after covering his housing costs, existing credit and an estimate of his essential living costs. In my view a disposable income of £3,850 was sufficient to sustainably afford repayments to a new MBNA credit card with a limit of £13,000.

Mr Y's made the point he applied for two credit cards with different parts of the same banking group at the same time. I recently contacted MBNA and asked it to confirm whether it was aware of Mr Y's other application. MBNA has provided evidence that shows Mr Y's application with it was completed on 6 February 2021 and that the application with H was processed on 7 February 2021. That means H hadn't processed or approved Mr Y's application when MBNA completed its lending checks and approved the credit limit of £13,000.

Mr Y's explained he was coerced into opening the credit card by an ex partner during an abusive relationship. I can understand how distressing that must've been for Mr Y and appreciate that he's told us about a particularly difficult time. But I need to think about whether MBNA would've been aware of Mr Y's situation at the time of his application. I've looked at all the data provided by MBNA, including the application data and contact notes. I'm sorry to disappoint Mr Y but I haven't seen anything that would lead me to conclude MBNA would've been aware of the circumstances surrounding his application. MBNA's contact notes show the first time Mr Y told it about this point was when he raised a complaint. I'm very sorry to disappoint Mr Y but as I haven't seen any information that would've made MBNA aware of his situation, I'm unable to agree it acted unfairly by proceeding with his application.

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 Y 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.

I'm sorry to disappoint Mr Y but for the reasons I've noted above, I haven't been persuaded that MBNA lent irresponsibly or treated him unfairly. As a result, I haven't been persuaded to uphold Mr Y's complaint.

I invited both parties to respond with any additional information or comments they wanted me to consider before I made my final decision. MBNA confirmed it had nothing further to add. We didn't hear back from Mr Y.

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.

As no new information has been provided I see no reason to change the conclusions I reached in my provisional decision. I remain of the view that MBNA's decision to approve Mr Y's credit card was reasonable overall, for the same reasons.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr Y to accept or reject my decision before 14 January 2025.

Marco Manente
Ombudsman