

The complaint

Mr G complains that MBNA Limited provided him with a credit card account he couldn't afford. Mr G says MBNA also increased his credit limit twice and he was unable to afford these.

What happened

I issued a provisional decision on this complaint in January 2025, my provisional decision forms part of this decision and should be read in conjunction with my final decision.

In my provisional decision I gave a detailed background to this complaint and so I won't repeat it here. I gave both parties the opportunity to provide further comments and evidence before I reached a final decision.

The deadline for responses has now passed. Mr G responded to say his income wasn't £1,900 as indicated in my provisional decision. He says his income was £340 per week and he only had one source of income.

MBNA has responded and doesn't agree with my findings it said having considered my provisional decision, it believes Mr G had sufficient disposable income to afford the second limit increase of £5,400.

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.

Having reconsidered my decision and the responses from both parties, I haven't seen anything that persuades me to depart from my provisional findings. I'll explain why.

Mr G has disputed the income referred to in relation to the initial credit limit increase, his comments don't lead me to a different conclusion.

In my provisional findings I explained that *"Over the three-month period before this limit increase, Mr G's average income was around £1,900."* I wasn't saying this was how much Mr G earned every month, what I was saying is that the total income I could see from his bank statements over the preceding three months before the initial credit limit increase was agreed was around £1,900. This is the average of the three months income. In the three months preceding this limit increase I can see Mr G had his regular income, but I can also see that he received some benefits during the time as well. For example, in April 2017, Mr G's income from his work was around £1,487 and he received benefits of around £657. Mr G didn't get the same amount of income each of the relevant months as there were fluctuations in his income. So, I used the average of the income over the relevant months to get an idea of his financial circumstances before the limit increase took place.

Even if I used the lowest amount of his income in the relevant months which I think was around £1,595 in May 2017, Mr G still had sufficient income to repay the credit due to the low credit commitments and living costs.

In the circumstances, Mr G could afford the credit limit increase and so MBNA wasn't wrong to agree to it.

Turning to MBNA's response to my provisional decision. I can see that it goes into detail on what he believes were Mr G's income and living costs from his bank statements. Having carefully considered MBNA's points, I don't agree that Mr G could sustainably afford the lending when it increased his credit limit to £5,400.

I can see some of the items it has listed as income aren't regular payments Mr G was receiving including payments from accounts that appear to belong to other individuals. It hasn't said why it believes these payments amount to income Mr G had available to spend. Mr G has confirmed he was trying to start a business of buying and selling cars but didn't make a profit. Also, I can't see that these payments were regular, and I can see Mr G regularly transferred out to other individual accounts. From what I can see Mr G's regular income was from his wages and in some months, he received benefit payments. I haven't seen anything to suggest his average income was over £6,000 as MBNA says, from what I can see his average income over the three months before this limit increase was less than £1,800. Considering his living costs and credit commitments, it is likely further checks would have showed MBNA that Mr G will struggle to sustainably repay further borrowing.

I'm also mindful that Mr G's account remained overdrawn for a large part of the three-month period before the limit increase, he took out cash advance from a credit card of over £2,000 and took another credit card facility with £9,000. This isn't a picture of someone who could sustainably afford to repay further credit.

MBNA has said Mr G was transferring money into another account and suggests he likely held money in another account. Mr G has supplied details of his savings account, and I can see that the money he was transferring into that account was being paid back into his current account, this is also demonstrated on the current account transactions. This doesn't suggest Mr G held extra money in his savings account which he could've used to repay his borrowing.

I think it is more likely Mr G couldn't sustainably afford the increased limit and so MBNA shouldn't have lent further. MBNA will be aware it is not just about whether Mr G could afford to repay his borrowing but also that he could do so sustainably without further borrowing, this isn't the case here.

Based on what I've said here and in my provisional decision, MBNA needs to put things right for Mr G in relation to the second limit increase.

Putting things right

MBNA should take the following steps to put things right:

- Rework the account removing all interest, fees, charges and insurances (not already refunded) that have been applied on Mr G's balance over £3,000.
- If the rework results in a credit balance, this should be refunded to Mr G along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement. MBNA should also remove all adverse information from September 2018 from Mr G's credit file.

- Or, if after the rework there is still an outstanding balance, MBNA should agree an affordable repayment plan with Mr G for the remaining amount. Once Mr G has cleared the balance, any adverse information in relation to the account should be removed from their credit file.

As MBNA has sold the debt to a third party, it should arrange to either buy back the debt from the third party or liaise with them to ensure the redress set out above is carried out promptly.

*HM Revenue & Customs requires MBNA to deduct tax from any award of interest. They must give Mr G a certificate showing how much tax has been taken off if he asks for one. If they intend to apply the refund to reduce an outstanding balance, they must do so after deducting the tax.

My final decision

For the reasons given here and in my provisional decision, I uphold Mr G's complaint in part and direct MBNA Limited to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 25 March 2025.

Oyetola Oduola
Ombudsman