

Complaint

Mr J complains that Barclays Bank UK PLC acted irresponsibly when it increased his arranged overdraft several times even though it knew or ought to have known that he couldn't afford it.

Background

Mr J had an arranged overdraft with Barclays. Mr J requested and was granted an increased overdraft on a number of occasions as set out below:

November 2017	£1,750
December 2017	£1,840
August 2018	£2,000
August 2018	£3,000

Mr J's overdraft, at its highest point before the end of August 2018, exceeded the approved limit by approximately £350.

Mr J says that he was a part-time student and had a gambling addiction. Although he was also working part-time he says that he couldn't afford to repay the overdraft. He says that he had to ask his parents to clear the overdraft for him as it was causing him considerable stress. The overdraft was cleared in October 2018 when funds were received from his parents.

Shortly after this Mr J's account was designated as a student account with an arranged overdraft of £250. Mr J asked for this to be increased by a small amount but his application was declined. Barclays says that the reason for this was because of the number of gambling transactions on his account. Mr J says that he cannot understand why this application was declined when just a few months earlier he had been granted a facility of £3,000, even though there were also gambling transactions on his account at that time. He says that Barclays' decision to increase his limit in August 2018 was irresponsible.

Mr J complained to Barclays. It said that Mr J had met its internal qualifying criteria when he was granted the increased overdraft in August 2018. It said that its system had reviewed several factors, including whether he could afford the increase, before granting the increased limits. It also said that after his account had been designated as a student account any requests for an increase in the overdraft were dealt with manually. As there had been gambling transactions in the previous 12 month period the application was declined in line with Barclays' internal procedures. Mr J was unhappy with this response and so he referred his complaint to our service.

Our investigator looked into the complaint. He said that on each occasion Barclays had applied its own internal procedures fairly and accurately and that it wasn't unreasonable for it

to apply different criteria to an ordinary account compared to a student account. As Barclays hadn't done anything wrong he didn't uphold Mr J's complaint.

Mr J disagreed and so the complaint was passed to me to decide. I issued a provisional decision in which I said:

My provisional findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Before making a decision to grant or increase an overdraft a lender is required to carry out a reasonable assessment of the creditworthiness of the consumer. That requires the lender to consider a number of factors including information from the consumer, from credit reference agencies and from its own records. In addition the lender is required to carry out a borrower focused assessment of ability to repay the amount borrowed in a sustainable way. These checks enable the lender to satisfy itself that the consumer can afford the overdraft and is unlikely to experience financial difficulty. Sometimes, where the lender is aware of special circumstances, it is required to take extra steps to ensure that any lending decision is responsible.

So, when looking at Mr J's complaint about the increases in his credit limit in August 2018, I've considered the actions that Barclays took when it agreed to increase the overdraft from £1,840 to £2,000 and then to £3000. Mr J has said that he had an approved limit in August 2018 of £4,100 but I can't find any evidence to support that. I can see that at one point in August 2018 he exceeded his approved limit by £350 but the approved limit was never more than £3,000.

In considering what Barclays knew about Mr J's situation when it provided the overdraft, I can see that he had asked for an increase in his overdraft in May 2018. At that time he made several phone calls to Barclays to complain about the fact that it refused to increase his overdraft. I've listened carefully to those telephone calls. Mr J told Barclays that he needed an emergency increase in his overdraft to tide him over until the end of the month since he had overspent whilst abroad. He said that he expected Barclays to help him because it should see that he was constantly in his overdraft and that although his salary was clearing the overdraft each month he immediately had to use the overdraft again.

He said that this should signal to Barclays that he was in financial difficulty. Barclays explained to him that where a consumer was using the overdraft that in itself would not signal financial difficulties. It offered to refer him to its financial difficulties team. It told him that the financial difficulties team might be able to defer charges and work through the account with him but these actions might affect his credit file. Mr J said he didn't want to do this, but I think that was a fair response from Barclays. Even though Mr J was asking for an increase in his overdraft Barclays acted responsibly, in May, when it declined his request. It also suggested to him that he could pay off part of his overdraft each month by reducing his expenditure but Mr J said that was not possible.

Mr J didn't mention his gambling addiction at this time. Barclays says that it wouldn't have known about this and in any event, says that it can't dictate how a customer spends his/her disposable income.

But I've considered that Barclays knew all of this about Mr J when it carried out its assessment in August 2018. Barclays used its systems to do this, explaining that Mr J had a pre-approved limit on his account which is reviewed monthly and that the

increased limits granted in August were within that pre-approved limit. I can also see that Mr J had managed his account within the agreed limit over a period of time and that his salary was credited to his account on a monthly basis. Mr J had a significant number of gambling transactions on his account but the fact that there are gambling transactions would not, on its own, mean that the increased overdraft was unaffordable.

So it's clear that Barclays has followed its usual procedures here in terms of giving Mr J the overdraft. But sometimes procedures like this will result in an unfair outcome for individual customers and I think that's what's happened here.

I say this because there were a number of warning signals by August 2018, which Barclays should've considered in more detail before lending to Mr J again. Those warning signals included the conversations that he had with Barclays in May 2018; the fact that his overdraft was not being reduced over time but rather was under constant strain; and the indicators of gambling transactions on his account.

So I think Barclays should've looked at Mr J's circumstances in more detail before agreeing to lend here. Had it done so, I think it would've seen a number of factors that should have made it think twice before giving him the overdraft. So, on balance I'm not satisfied that Barclays took the extra steps that I would've expected it to take before increasing the credit limits in August 2018. I realise that Mr J has now repaid the overdraft in full – but he's explained that was because he received financial help from his parents to do so, given the situation here.

What I propose Barclays should do to put things right?

I can see that Mr J did have the benefit of the increased overdraft and I think it's fair that he should have had to pay it back. So, I don't agree with Mr J that he should be refunded the amount that his parents paid off in October 2018.

But, given that I don't think Barclays should have lent him this money – it follows that it's not fair for Mr J to pay any more back than the actual amount he borrowed and used. I can see that between August and October a total sum of £127.50 was applied to Mr J's account in respect of overdraft charges. Whilst I can see that some of these charges related to the original limit on his account I think it's fair and reasonable that the whole amount should be refunded to him.

In addition, I think that this situation has caused Mr J some distress and inconvenience. For that, I think Barclays should pay him £100.

My provisional decision

For the reasons given above my provisional decision is that I intend to uphold this complaint against Barclays Bank UK PLC and I would require it to take the following actions:

- *Pay Mr J £100 for the distress and inconvenience he has experienced as a result of its actions; and*
- *Refund the overdraft charges of £127.50 paid to it in August, September and October 2018*

Barclays has accepted my provisional decision.

Mr J hasn't accepted the decision and has provided extra information which he feels is relevant to his complaint. So I now need to reach a final decision.

My findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

In response to my provisional decision Mr J asked me to consider 2 further additional documents. The first document is a statement dated 3 October 2018. This statement shows that there was an arranged overdraft limit on the account at that time of £3590. I've looked again at the statements for the period from August 2018 until October 2018 and I can see that the actual overdrawn balance on the account was never more than £3350. That's in line with what I'd said in my provisional decision. So, even though the information that I'd been given about the approved limit was incorrect, it doesn't change the basis on which I'd reached my decision.

I've also thought about how any further increase in the limit even after August 2018 might've impacted Mr J. In my provisional decision I said that Barclays should refund all the overdraft charges that Mr J had been charged in August, September and October. I'd also pointed out that some of those charges would've been in relation to the amount of the overdraft before any increase was applied in August. So, I'm satisfied that Mr J didn't incur any further charges even though the approved limit after August may have been increased to £3590.

Mr J has also provided a second document which sets out an annual summary of charges. That document indicates the amount of charges that Mr J incurred for the year ending November 2018. But, as I've mentioned above, it was Barclays' decision to increase the limit in August which I'd been concerned about. There already was an overdraft in place prior to that date which Mr J used and for which charges would've correctly applied. I don't think it's fair or reasonable to ask Barclays to refund any of those charges.

Having taken everything into account, I'm satisfied that the proposed compensation set out in my provisional decision is fair and reasonable given all the circumstances. I won't be requiring Barclays to do anything more.

My final decision

For the reasons set out above I uphold this complaint against Barclays Bank UK PLC.

I now require it to take the following actions:

- Pay Mr J £100 for the distress and inconvenience he has experienced as a result of its actions; and
- Refund the overdraft charges of £127.50 from August, September and October 2018

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 16 June 2020.

Irene Martin
Ombudsman