

The complaint

Mr H says that Barclays Bank UK PLC ("Barclays") increased his credit limit by £5,000 in the space of eight months and that this was irresponsible lending as it didn't do any affordability checks. He wants Barclays to refund all the interest and any charges he has paid, plus statutory interest, and for it to delete any negative information from his credit record.

What happened

Mr H applied for his credit card online in May 2013 with a credit limit of £3,700. The credit limit was increased to £5,700 in October 2014 and was increased again to £8,700 in June 2015.

Mr H says that his financial position wasn't checked sufficiently to make sure he'd be able to pay back the £5,000 increase in his credit limit. He says that he was only making minimum payments on his credit card for a long time and was using a high level of his credit limit. Mr H says this should have shown Barclays that he couldn't repay the balance within a reasonable period of time, so it shouldn't have let him borrow more.

Mr H says that by increasing the credit limit, Barclays has made his financial position worse. He says that he's still paying the credit card back on minimum repayments which has resulted in persistent debt and paying extra interest. He says he shouldn't have been lent the money without affordability checks being done.

Barclays says that it carried out an internal review on the way it set some customers' credit card limits and identified that a credit limit may have been set which was higher than it should have been for some customers. It wrote to Mr H explaining this in March 2020 and inviting him to get in contact if this had had an impact on his circumstances or he had incurred any losses.

Mr H contacted Barclays following the letter. However, Barclays didn't agree that it had lent irresponsibly. It says that the original credit limit was set after taking into consideration the information provided on Mr H's application and a credit check. Barclays says the increases were offered as Mr H's account was managed satisfactorily with Mr H having a good repayment history and having always paid the minimum payment and often more. There was also no adverse information on Mr H's credit file and he met its lending criteria when the increases were offered. There is no evidence of missed payments or contact from Mr H to request support with financial difficulties.

As a gesture of goodwill, Barclays refunded Mr H £264 to cover the late payment fee and over limit charges he incurred. It also paid him £75 to recognise the distress and inconvenience of him having to contact Barclays.

Barclays says that interest and charges applied to Mr H's account are correct and have been applied in line with the terms and conditions of the account, agreed by Mr H prior to opening his account. Therefore it didn't agree to refund any interest charged or to change any information reported to credit reference agencies.

Our investigator looked into the matter and found that Barclays had gathered data from credit reference agencies about Mr H's financial situation and reviewed how he'd been managing his account, which calculated a score which was within its lending criteria. She also reviewed Mr H's account statements prior to the credit limit increases and didn't find anything to indicate these would have been unaffordable. The investigator concluded that Barclays had reviewed enough information and didn't feel that it had acted unfairly or unreasonably in increasing Mr H's credit limit. She didn't recommend that they should take any further action.

Mr H disagrees with this. He says that a lender should make sure a higher credit limit is affordable before they increase it and going from £3,700 to £8,700 is a significant increase, especially when the customer hasn't requested this. He says the increased limit was a disproportionate amount of his annual salary. Mr H says that his credit file would have shown that he had a high amount of debt with other lenders when the increases were applied and has provided details of loans he had around the time of the credit limit increases. He feels that it was unfair of Barclays not to do reasonable checks or ask for income and expenditure and that this is a prime example of irresponsible lending.

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.

I've also taken into account the relevant regulations and industry good practice in place at the time of the increases to Mr H's credit limit.

When Barclays told Mr H that it was increasing his credit limit, I would expect it to have given him sufficient notice of the increase along with the option not to have the increase, in line with the regulations. I've looked at the sample letter Barclays says was sent to Mr H and I'm satisfied that it would have given him the option to keep the current limit if he didn't want it to be increased. There's nothing to indicate that Mr H wanted to opt out of the increases.

I've also thought about the checks Barclays should have done when offering to raise the credit limit. The regulations required Barclays to carry out an assessment of Mr H's creditworthiness when setting a credit limit, establishing his ability to afford and sustain repayments without experiencing significant adverse consequences. The assessment needed to be proportionate to factors which could include the amount of the credit, Mr H's financial position, his credit history and his existing financial commitments. It should have been based on sufficient information obtained from Mr H, where appropriate, and a credit reference agency, where necessary.

I can see from Barclays' records that Mr H took out the credit card with a limit of £3,700 in May 2013. It remained at this level until October 2014 when the limit was increased to £5,700. The limit was then raised again in June 2015 to £8,700.

Whilst the increase in the credit limit was significant on each occasion, this in itself doesn't mean that this was irresponsible lending. I've looked at the evidence Barclays considered when making the decision to increase Mr H's limit in 2014 and 2015. Barclays has indicated that it reviewed information provided by credit reference agencies and also its internal data on Mr H's account.

I've looked at the result of the credit checks Barclays carried out with the credit reference agencies before increasing Mr H's limit on each occasion. These did not indicate that there were any defaults or any over-indebtedness. Barclays says the data from the credit reference agencies also suggested that the proposed increases were affordable. Barclays

used recognised credit reference agencies to undertake these checks so I think it was entitled to rely on the results and that this was an appropriate way of assessing affordability and sustainability.

The information already held by Barclays also showed that Mr H was managing his account well, making more than the minimum payments on his credit card and remaining within the credit limit. Having looked at Mr H's credit card statements, I can see that prior to both of the credit increases, Mr H was paying off significantly more than he needed to. For example, in August 2014 he paid off £1,600 when the minimum payment was less than £50 and in May 2015 he paid off £535 when the minimum payment was around £140. He also continued to make payments over the minimum payment after the second increase in credit limit, for example in October 2015 he paid off £2,200 when the minimum payment was less than £200. So I don't think the account information held by Barclays would have indicated that the credit increase was unaffordable or caused any cause for concern.

Mr H says he had high amounts of debt with other lenders at the time of the increases and has provided copies of his loan statements. Whilst I can see the amount of loans was significant, Mr H doesn't appear to have any defaults on these from the information I've seen. On a number of occasions during 2015 and 2016 I can see that he has made additional payments on the loans to reduce the balance and I've seen nothing to suggest that he was only able to do that by borrowing elsewhere. So the fact that Mr H had other debts in addition to the credit card doesn't indicate to me that the credit increases were unaffordable for him in this case.

In light of the above, I agree with the investigator that for both of the credit limit increases, the creditworthiness checks Barclays carried out were reasonable and proportionate. And I think Barclays' decision to increase lending was fair on each occasion. Even if Barclays didn't do everything which might have been expected, I don't think that the lending decision would have been any different if it had done more in the circumstances of this case.

I should add that Mr H has provided a letter from August 2019 showing that he took a repayment holiday for one of his loans. This is some time after the credit increases were applied, so it doesn't affect my decision above in relation to whether these were applied fairly. However, if Mr H is now in financial difficulties, he should contact Barclays in the first instance as it may be able to offer assistance if he is currently struggling to meet his repayments.

I know my decision will come as a disappointment to Mr H, but I can't fairly say that Barclays acted unreasonably or unfairly in increasing Mr H's credit limit in the circumstances of this case and I don't uphold this complaint.

My final decision

For the reasons I've explained above, I don't uphold this complaint and don't require Barclays Bank UK PLC to do anything.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 25 March 2021.

Rachel Ellis
Ombudsman