

The complaint

Mr L complains that Barclays Bank UK PLC trading as Barclaycard (Barclaycard) mismanaged his credit card account.

What happened

Mr L had a Barclaycard since 2006. The limit was increased by Barclaycard from £15,000 to £19,000 in January 2017. Mr L was in financial difficulty by 2019. Barclaycard suspended fees and interest for two periods in 2019, pending repayment discussions. In July 2019 they refunded fees and interest of £1127.99 as a goodwill gesture. Mr L offered to settle the debt by paying £8,000 and ask Barclaycard to write off the balance of £10,000.

Mr L complained that his limit shouldn't have been increased by Barclaycard – he was in financial difficulty at the time and the increase was irresponsible. He hadn't used the card for purchases between 2007 and December 2017. When he tried to call them to discuss his situation in 2019, they didn't call him back as promised. He says he paid an excessive amount of interest – he said this amounted to £41,724 between 2006 and February 2019. He'd made an offer to settle the debt which they'd turned down.

Barclaycard said the limit increase was made after Mr L passed their credit checks. These included information from credit reference agencies. Mr L was given the option of calling them to discuss the offer of the increase. They apologised that Mr L didn't get two call backs in 2019 as he was promised. In July 2019, they refunded fees and interest charged from March 2019 – as a gesture of goodwill and pending discussions about a payment plan. This totalled £1127.99, plus £75 for distress and inconvenience. Interest and fees had been charged in line with their terms and conditions. They didn't want to accept Mr L's offer to settle his debt with a payment of £8,000.

Mr L brought his complaint to this service. Our investigator said that under the service's rules, we can only look at events within six years of Mr L's complaint. Mr L complained in January 2020 – so we can look at issues arising from January 2014.

- **Limit increases:** Barclaycard had told him that Mr L passed their credit checks. But he noted that the card wasn't used between 2013 and the limit increase in 2017. And only minimum payments (or close to them) were being made. There was evidence of late payments on other debts. He couldn't see that Barclaycard had made reasonable and proportionate checks before increasing the limit. He proposed that interest and fees charged on the debt over £15,000 should be refunded.
- **Fees and interest charges:** he said that Barclaycard were entitled to charge fees and interest in line with its terms and conditions. The interest rates at various times were shown on Mr L's statements. Barclaycard had told him that the only changes in interest rates were in line with changes to Bank of England base rate – and he could see that five changes were advised on Mr L's statements.

Call not returned: these happened in February 2019 and April 2019. Barclaycard had agreed not to make charges between March 2019 and July 2019 to give Mr L time to work out his

situation. Barclaycard told him that if the February 2019 call had gone ahead, this would likely have resulted in Mr L getting a further month free of interest and fees – so he said they should refund him for February 2019. He also noted that November 2019, a 72-month repayment plan was agreed at a reduced interest rate of 3%, which was subsequently reduced to 0%.

Mr L's offer to settle: this was a commercial decision for Barclaycard to make.

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 will look at Mr L's complaints under four categories.

Limit increases: I must consider whether Barclaycard acted in line within the Financial Conduct's (FCA) rules on creditworthiness assessment as set out in its handbook, (CONC) section 5.2. These say that a firm must undertake a reasonable assessment of creditworthiness, considering both the risk to it of the customer not making the repayments, as well as the risk to the customer of not being able to make repayments.

Mr L's limit was increased from £15,000 to £19,000 in January 2017. Mr L says this was irresponsible. He says he hadn't used his card since 2007 and he was in financial difficulty – with several other debts. He accepts he could've declined the offer of the increase, but didn't – and as a result, spent money he couldn't afford to repay. He was self – employed. Barclaycard say that he passed their credit checks at the time. This included data from external credit reference agencies. They told us that while they saw that Mr L had missed two payments to lenders in the previous six months, overall his other credit card debts had decreased from £32,882 in 2015 to £13,790 in January 2017. He hadn't missed any payments to his Barclaycard prior to the increase. Their analysis said Mr L had a low risk of default. He only started using the card for purchases again in December 2017 – and then it appeared to be used for business expenditure which was against the terms and conditions of the card. An income and expenditure analysis was done in October 2020 which showed disposable income of £1,156 per month.

I've thought about what both sides have said here.

I can see where Barclaycard are coming from and hear what they've told us. I can see that their data shows total external credit card (and other debts) as coming down between 2015 and 2017 – but it was still high at £20,839 in December 2016 (when the limit increase was looked at and offered). And Mr L had a mortgage of £184,471 at the time. And – I've looked at Mr L's Barclaycard statements for the period from 2014 to the end of 2016. These show no use of the card at all – no purchases were made. Payments were met, but at or around the minimum level. So – this was basically a dormant account, except for interest and fees and the minimum payments. And the limit increase being offered was a large one – and the resulting credit limit of £19,000 was also significant – for a personal credit card. This suggests to me that Barclaycard should've checked more thoroughly to ensure they understood Mr L's financial situation before offering the increase in limit. They told us that an income and expenditure analysis wasn't done at the time – other than that derived from the external affordability data. I note what Barclaycard said – that the card was later used for some of his (self-employed) business expenses – but as I see it, this shows that Mr L was in financial difficulty and needed to draw on his available credit limits to help his situation.

So, on balance, I agree Barclaycard didn't make proportionate and reasonable inquiries before increasing Mr L's limit from £15,000 to £19,000 in January 2017.

Fees and interest charges: I agree with our investigator. These are set out in the terms and conditions – and also on Mr L's statements. I can see that each monthly statement showed the monthly interest rate and any fees. So, Mr L has the chance to do something about the costs of his borrowing at the time. And in any case, the level of interest rates and fees are a commercial decision for Barclaycard - it's not something this service can decide upon.

Calls not returned: Barclaycard admit they didn't return calls to Mr L as they'd promised to. They've apologised for this and refunded interest and fees for the period between March and July 2019. I agree that had the call in February 2019 gone ahead, they would quite probably agreed to cancel interest and charges for that month also – that's what Barclaycard have told us - so this should be done.

Offer to settle: I agree with our investigator that this is a commercial issue and it is for Barclaycard and Mr L to discuss - it's not something for this service to get involved in.

Putting things right

Limit increases: As my findings are that Barclaycard shouldn't have increased Mr L's limit from £15,000 to £19,000 on 3 January 2017, they should refund all interest and charges relating to the borrowing over £15,000 from that date to the date of this decision. This should be adjusted for the refunds of interest and charges already made in July 2019 – where those related to debt over £15,000.

Calls not returned: Barclaycard should refund interest and charges for the month of February 2019.

Both refunds should be credited to Mr L's Barclaycard account.

My final decision

I uphold this complaint. Barclays Bank UK PLC trading as Barclaycard must should:

Refund all interest and charges relating to Mr L's borrowing over £15,000 from 3 January 2017 to the date of this decision. This should be adjusted for the refunds of interest and charges already made in July 2019 – where those related to debt over £15,000.

Refund interest and charges for the month of February 2019.

Both refunds should be credited to Mr L's Barclaycard credit card account.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 27 April 2021.

Martin Lord
Ombudsman