

The complaint

Mrs M complains that Barclays Bank UK PLC (trading as Barclaycard) had set too high a limit for her credit card and this had put her into financial difficulty.

What happened

Mrs M opened a credit card account in 2004. Mrs M's credit card limit was increased several times with a final increased limit of £12,000 made in March 2017. In August 2020, Barclaycard told Mrs M there'd been an error in calculating affordability and that her credit card limit may have been set too high. This caused her to complain to Barclaycard as she said this had led to her financial difficulties and affected her credit rating.

Barclaycard said they'd reviewed accounts that may have been affected by a technical fault they'd identified in their credit assessment model from October 2014. Barclaycard said having reviewed Mrs M's circumstances, like many customers, they didn't consider she'd been impacted by the fault, but they'd offered £75 to apologise for any inconvenience. Barclaycard said they acted responsibly when providing the credit card facilities to Mrs M and weren't made aware of her having any financial difficulties at the time the credit limit was increased. But from October 2017 they said Mrs M employment status had changed and it was her change in circumstances that caused her financial difficulties.

Mrs M wasn't happy with Barclaycard's response and referred her complaint to us.

Barclaycard haven't given consent for us to look into the credit limit increases beyond the six years prior to Mrs M bringing her complaint. They said Mrs M would have been aware of the credit limit increases at the time so she will have been aware she had cause for complaint. Our investigator agreed and has considered Mrs M's complaint from April 2014.

Mrs M complains that from April 2014 her credit card limit was increased as below:

April 14	November 14	July 15	March 16	March 17
£7,500	£8,500	£9,500	£10,500	£12,000

The investigator looked at all the available information and was satisfied that Barclaycard had assessed Mrs M's credit worthiness and looked at how she was managing her account. He said that the checks done by Barclaycard were proportionate and he didn't think Barclaycard had acted irresponsibly in lending to Mrs M.

Mrs M didn't agree she said Barclaycard had acknowledged the credit card limits were too high and that an offer of £75 wasn't enough compensation for this. She asked for an ombudsman to decide.

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 done so I'm not upholding this complaint. I'll explain why.

In August 2020, Barclaycard told Mrs M they'd been undertaking an internal review of customers' circumstances at the time that their Barclaycard limits were set. This review was prompted by a fault identified in their system and the review and any resolution, had been agreed with the Financial Conduct Authority (FCA). Barclaycard have stressed that not all customers, who received a letter relating to the review, would have actually been impacted. But to ensure that all those impacted were identified, they reviewed all limits agreed during the affected period.

It's important to note that receiving one of these letters wouldn't suggest a credit limit that was too high, or that the lending was unaffordable. Barclaycard has simply identified a period of time where its lending decisions could have been more robust – and it could be the case that the additional information they should have considered wouldn't have made a difference to their decision to lend, or to how much they were willing to lend to a particular consumer.

I've considered the relevant rules, guidance and good industry practice when someone complains about irresponsible and/or unaffordable lending. There are two overarching questions I need to consider in order to decide what's fair and reasonable in all of the circumstances of the complaint. These are:

1. Did Barclaycard complete reasonable and proportionate checks to satisfy them that Mrs M would be able to repay the credit in a sustainable way?
 - a. if so, did Barclaycard make a fair lending decision?
 - b. if not, would reasonable and proportionate checks have shown that Mrs M could sustainably repay the borrowing?
2. Did Barclaycard act unfairly or unreasonably in some other way?

Regulations in place at the time Barclaycard lent to Mrs M required them to carry out a reasonable assessment of whether she could afford to repay the credit in a sustainable manner. This is sometimes referred to as an "affordability assessment" or "affordability check".

The affordability checks should be "borrower-focused", meaning Barclaycard need to think about whether repaying the credit sustainably would cause difficulties or adverse consequences for Mrs M. In other words, it wasn't enough for Barclaycard to think only about the likelihood that they would get their money back without considering the impact of repayment on Mrs M herself.

There's no set list for what reasonable and proportionate checks are. What constitutes a proportionate affordability check will generally depend on several factors such as the specific circumstances of the borrower, their financial history, current situation and whether there are any indications of vulnerability or financial difficulty. Consideration should also be given to the amount, type and cost of credit being applied for.

In reviewing Mrs M's complaint, I need to consider whether the checks and assessments that Barclaycard completed here were reasonable and proportionate. Also, whether they were enough to satisfy them that Mrs M would be able to repay any credit in a sustainable

way. If they were, I need to consider if their decision to lend was a fair one, given the information they had.

Section 5.2A.20 of the Financial Conduct Authority's (FCA) Consumer Credit Sourcebook (CONC) provides examples of the factors that need to be considered and the circumstances, under which, they should be applied.

Barclaycard is free to decide how to set their lending criteria, but they should complete proportionate checks to ensure borrowing is sustainable. In this case, I can see that Barclaycard, when applying the credit limit increases between April 2014 and March 2017 considered Mrs M's credit history. They used a third party to validate income, check for any signs of over indebtedness and to consider income against expenditure. Barclaycard also had Mrs M's payment history for her credit card, and this showed no issues with late payments or persistent debt. And they used this information together to calculate a probability of default score to determine the chances of Mrs M not being able to sustain her repayments.

An assessment was made of Mrs M's affordability at both the current limit at the time as well as incremental limits based on monthly disposable income. And a status of either green, amber or red was applied. And the data for each of Mrs M's increases showed a green status. I haven't seen any evidence from the data that could have raised concerns about Mrs M's affordability for the credit increases.

Barclaycard said they also looked at Mrs M's management of her credit card. And I can see that Mrs M from April 2014 until October 2017 paid in excess of the minimum amount each month. She didn't immediately utilise the increased limits, and she didn't exceed her credit limit. For several months Mrs M used less than 75% of her credit limit. And in June 2016 she paid £8,500 into her account to reduce the balance to below 15% of her credit limit. On the evidence I've seen Mrs M had a well-run account.

So, I'm satisfied the checks carried out by Barclaycard are reasonable and proportionate as they take into account a number of factors. And, the checks carried out are the type I would reasonably expect because they would help Barclaycard to not only build a picture of Mrs M's financial situation, but also to assist in determining whether she could repay the credit in a sustainable way.

I agree with our investigator that the checks Barclaycard did were proportionate and on the evidence they saw the increased credit limits were considered affordable for Mrs M. And I haven't seen anything to show Mrs M wouldn't have been able to sustain her repayments. So, I don't think Barclaycard acted irresponsibly in lending to her.

But Mrs M circumstances changed significantly in October 2017. I'm sorry to learn of her personal situation and poor health. I can see Mrs M told Barclaycard of her situation as soon as it changed. All banks must treat customers who are in this position with sympathy and to consider ways in which they can help. And I can see that Barclaycard as soon as they were made aware of Mrs M's change in circumstances offered her "*some breathing space*" by placing the account on hold so that she wasn't asked for outstanding payments. And the fees and interest charges were frozen. I can see Barclaycard continued to offer support as they said they didn't want to make Mrs M's situation any worse, which is what I would have expected them to do.

I know Mrs M will be disappointed by my decision and I hope things are improving for her. But when I've looked at Barclaycard's lending decision, I think they did all the checks they needed to and lent responsibly. And so – I won't be asking them to do anymore here.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 18 January 2022.

Anne Scarr
Ombudsman