

## **The complaint**

Mr M complains Barclays Bank UK PLC lent to him irresponsibly.

## **What happened**

Mr M took a loan of £5,000 with Barclays in 2017. The loan defaulted in 2018 and a repayment plan was put in place.

In 2020 Mr M complained to Barclays. He thought the loan shouldn't have been offered to him because he was suffering from mental health issues and had a gambling addiction at the time. He also says he was receiving Job Seekers Allowance (JSA) and had a poor credit record.

Barclays said it wasn't aware of Mr M's mental health issues at the time, he didn't tell them about this until after he'd taken the loan at which time it took steps to help him. It also said that the gambling transactions on his account weren't considered excessive and that a credit search was completed prior to the loan being agreed.

Barclays did accept that it hadn't noticed that he was in receipt of JSA at the time and had it known this it wouldn't have agreed to the loan. Because of this, it agreed to refund all interest which had been applied to the loan and used this to reduce the amount he owed. Mr M wasn't happy with this and referred the complaint to us. He wanted Barclays to remove the default from his credit file and write off the remaining balance of the loan.

One of our investigators looked into the complaint. He thought Barclays' offer was fair and didn't ask it to do anything further. Mr M didn't agree. He said Barclays was aware of his mental health issues prior to the loan being agreed. He still thought his credit history and gambling problems should've prevented the loan from being agreed. He maintained that the default should be removed from his credit file and asked for the complaint to be reviewed again.

Mr M's complaint was passed to me. I didn't think what Barclays had done went far enough to put things right. So, I issued a provisional decision and asked both parties to submit any further comments to me. In that provisional decision I said:

- I agreed that Barclays was entitled to accept the information Mr M had provided when assessing his loan application without requiring further evidence.
- That Mr M's credit file didn't show he was struggling to manage other debts.
- That Mr M's bank statements didn't show that he was gambling excessively to alert Barclays to any problems.

However, I also noted that Barclays had agreed that had it realised Mr M was receiving JSA, it wouldn't have agreed to his loan. It said its systems didn't pick this up and it's since taken steps to make sure this doesn't happen in the future.

Given that Barclays agreed that the loan shouldn't have been granted, I explained what I thought Barclays should do to put things right. I said:

*Our usual approach in cases where we agree that funds shouldn't have been lent is to ask a business to refund the interest charged and any charges applied to the loan together with 8% simple interest. Barclays has confirmed it's refunded all interest, but it's unclear whether any charges have been refunded or whether interest was added to this refund. Had Barclays not lent Mr M the money, he wouldn't have incurred the interest and charges, so I think it's fair that the interest and charges he paid on the account be refunded together with 8% interest.*

*As Mr M has benefitted from the funds, I don't think it would be fair for me to say Barclays should write off the balance. But it does need to agree an affordable repayment plan for Mr M to repay the remaining balance. Mr M should engage with Barclays in this regard.*

*Mr M's main concern seems to be the fact that this is showing on his credit file. Barclays says that this is right as he agreed to borrow the money, and it's important that his credit file is an accurate reflection of how he has conducted his account. Whilst this is correct, it's been agreed that the money shouldn't have been lent in the first place. And had it not been, then this wouldn't be having an adverse effect on Mr M's credit file. So, I think in the circumstances Barclays should also remove any adverse information reported to Mr M's credit file as a result of this loan up to the date of this decision. Going forward, should Mr M not comply with the repayment plan set, then this new information can be recorded on his credit file.*

I provisionally decided Barclays should:

- Refund all interest and charges applied prior to it defaulting to the loan which it hasn't already refunded
- Pay 8% simple interest on this amount from the date the interest or charges were applied to the date they are refunded
- Barclays may use any refunded amount to reduce the amount Mr M owes on the remaining balance of the loan.
- Remove any adverse information recorded on Mr M's credit file as a result of this loan.

Mr M accepted my findings and agreed to work with Barclays to repay the loan in an affordable manner.

Barclays said it agreed in principle to my findings. However, it said it would need to close down Mr M's loan and open a new one before it could clear Mr M's credit file. It said Mr M would need to make three consecutive monthly payments in order to prove this was affordable. It also proposed that, rather than calculate the interest refund at 8%, it reduce the loan balance from £3,105.58 to £3,000, which it thought would be similar to calculating the refund due.

Now that both parties have responded, the complaint has been passed back to me to issue a final decision.

### **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.

Barclays has said it plans to close Mr M's old loan and set up a new "debt restructuring loan"

and to do so it would need to see a track record of Mr M making monthly payments. However, this isn't what my provisional decision suggested it do.

As I've explained, Barclays agreed Mr M shouldn't have been given this loan. Because of this, Barclays needs to arrange an affordable way for Mr M to repay the balance without further interest being incurred. Any new arrangement for repaying this loan shouldn't be dependent on Mr M passing an affordability assessment. But instead needs to be set up based on what Mr M can reasonably afford to pay each month.

If Barclays needs to close down the old loan and set up a new one for administrative reasons, then I see no issue with this. But this should be done from a purely administrative purpose. There shouldn't be any need for an assessment of Mr M's circumstances in agreeing this. It should simply be set up and agreed. Any assessment of Mr M's income needs to focus solely on how much Mr M can afford to pay back each month.

Unfortunately, Barclays hasn't told me how much of a refund Mr M would receive if it did calculate things correctly. So, it's not possible for me to say whether the offer to reduce the loan amount to £3,000 is fair or not. Because of this, I'm still going to tell Barclays to pay 8% simple interest on the refunded interest and charges from the date the interest or charges were applied to the date they are refunded. I still think it's fair for Barclays to use this to reduce the amount owed by Mr M.

Having reviewed everything again, including both parties' responses to my provisional decision, I see no reason to depart from the findings I made in my provisional decision.

### **Putting things right**

For the reasons set out above, and in my provisional decision, I require Barclays to:

- Refund all interest and charges applied prior to it defaulting to the loan which it hasn't already refunded
- Pay 8% simple interest on this amount from the date the interest or charges were applied to the date they are refunded
- Barclays may use any refunded amount to reduce the amount Mr M owes on the remaining balance of the loan.
- Agree an affordable and sustainable repayment plan with Mr M to repay the loan balance which isn't dependent on Mr M passing a new affordability assessment.
- Remove any adverse information recorded on Mr M's credit file as a result of the original loan.

### **My final decision**

My final decision is I uphold this complaint and direct Barclays Bank UK PLC to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 1 June 2021.

Rob Deadman  
**Ombudsman**