

## **The complaint**

Mr D is unhappy that Barclays Bank UK PLC approved him for a credit account which he believes was unaffordable for him at that time.

## **What happened**

In March 2017, Mr D applied for a credit account with Barclays online. His application was approved, and Mr D was accepted for a credit account with a credit limit of £3,500.

In November 2019, Mr D made a complaint to Barclays on the basis that he felt that Barclays had lent to him irresponsibly by providing him with a line of credit that wasn't affordable for him at the time that he'd applied for it.

Barclays looked at Mr D's complaint, but they felt that they had conducted appropriate checks into Mr D's financial position at the time of the application, and that those checks hadn't demonstrated that the credit account was unaffordable for Mr D at that time. So, they didn't uphold the complaint.

Mr D wasn't satisfied with Barclays response, so he referred his complaint to this service. One of our investigators looked at this complaint. They noted that Mr D's credit file showed that he'd been using short-term 'payday' loans extensively for a number of years leading up to the credit application, and they felt that had Barclays reviewed Mr D's credit file that this would have been apparent to them and most likely affected their decision to offer credit to Mr D. So, they recommended that the complaint be upheld in Mr D's favour.

Barclays didn't agree with the recommendation put forward by our investigator, so the matter was escalated to an ombudsman for 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.

I issued a provisional decision on 27 April 2021 as follows:

*I've reviewed both the information provided by Barclays which they gathered on Mr D at the time of the application and which they used to conduct a creditworthiness assessment of Mr D, as well as Mr D's credit file and other information provided by Mr D, which enabled me to better understand Mr D's financial circumstances at the time that he applied for the credit account.*

*It's for a business to decide whether it will offer credit to a customer, and, if so, how much and on what terms. What this service would expect would be that the business conducts reasonable and proportionate checks, in consideration of the amount of credit being offered, to ensure that the credit account is affordable for the customer such that the customer would realistically be able to repay the credit, should the account be taken by the customer to the authorised credit limit.*

*Barclays contend that they did that here. They obtained information regarding Mr D's income and monthly outgoings, including the total monthly repayments of any other existing borrowing that Mr D had, and conducted an affordability assessment on the basis of that information which determined that the credit account that Mr D was applying for would be affordable for him.*

*Having reviewed Mr D's credit file, it's evident that Mr D was using a large number of payday loans both at the time of the application and regularly for a number of years prior to it. Indeed, at the time of the credit application Mr D had eleven active payday loans which he was maintaining, as well as a further seven which he had applied for within six months prior to making the application, but which had been repaid by the time the application was made.*

*The use of payday loans, especially when used with the frequency and regularity that Mr D was using them, can be, but isn't necessarily, a strong indicator that the individual using the loans is experiencing financial difficulties. And it follows from this it would be expected by this service that Barclays would have taken these payday loans into consideration such that they might reasonably have prompted Barclays to conduct more robust affordability checks – above and beyond the standard creditworthiness check that Barclays conducted here – before authorising a line of credit for Mr D.*

*However, while I'm not convinced that Barclays did conduct reasonable and proportionate affordability checks in this instance, I'm also not convinced that, had they done so, their decision to offer the credit to Mr D would have changed.*

*I say this because, while Mr D was using, and historically had used, a large number of payday loans, there were no instances of missed or late payments on these loans. Indeed, all the payday loans taken were either being repaid, or had been repaid, on time and without incident.*

*It's also notable the Mr D's current account balance, while being overdrawn, was significantly under the agreed overdraft limit and had been maintained in this position for some time. Given that it's likely that the interest rate Mr D would have incurred if he had used his agreed overdraft more extensively would have been lower than the interest rates he incurred when using payday loans, it's difficult not to conclude from this that Mr D's use of payday loans was one of choice, rather than one of necessity.*

*Considering then that Mr D's credit file appears to demonstrate that he was managing the use of his payday loans without incident, it's also difficult to conclude that Mr D was in financial difficulties here - at least to the extent that he should have been recognised as being in financial difficulties by Barclays when conducting their creditworthiness assessment.*

*This means that while I don't feel that Barclays did undertake reasonable and proportionate affordability checks here, I don't feel that their decision to offer credit to Mr D would have changed had they done so. And I say this because I feel that the information that Barclays would have obtained from further checks would have shown that Mr D was using payday loans but that he was managing the use of these loans responsibly and without incident, and that he wasn't using these payday loans out of necessity because of an absence of alternative available financial options.*

*Ultimately, this means that it's difficult for me to conclude that the credit that Mr D was approved for here wasn't affordable for him at the time that he applied for it. And,*

*while I acknowledge that the credit may have become unaffordable for him at a later time, I don't feel that I can fairly or reasonably uphold this complaint against Barclays on the basis that they should have deemed the credit unaffordable for Mr D at the time of the application and therefore shouldn't have offered the credit to Mr D in the first instance.*

*It follows from this that my provisional decision here will be that I won't be upholding this complaint or asking Barclays to take any further action at this time. I realise that this won't be the outcome that Mr D was wanting here, but I hope that he can understand, given everything I have explained above, why I have made the provisional decision that I have.*

In my provisional decision I gave both Mr D and Barclays the opportunity to provide any comments or additional information they felt I should consider before I move to issue my final decision. Barclays confirmed that they accepted my provisional decision, while Mr D raised several points which he felt I hadn't taken due account of when making my provisional decision.

For instance, Mr D has stated that at the time of the credit application he had a poor credit score and that no other lender would offer credit to him at that time. Mr D has also referenced the number of payday loans that he was using at that time and states that this should have been an indicator that he was struggling to manage his finances.

Mr D also believes that, as a new customer to Barclays, he should have been asked to provide copies of his bank statements for Barclays to review, and that if he'd done so, Barclays would have noticed a high number of gambling transactions on those statements that should have given them cause to reconsider their decision to offer credit to him.

Additionally, Mr D feels that the repeated use of payday loans and the gambling transactions on his bank statements should have been sufficient for Barclays to consider him as being a vulnerable customer, which also should have influenced their decision to offer him credit.

These are all valid points, and I don't dispute that it may have been the case that Mr D did meet the definition of a vulnerable customer at the time that he made the credit application to Barclays in March 2017. And, having reviewed the account statements from the credit account under consideration here, it's clear that Mr D did use the credit account to make gambling transactions from when the account became available to him in March 2017.

However, it doesn't necessarily follow from this that Barclays should have recognised Mr D as being a vulnerable customer at the time of the credit account application, and this is because it may have been the case – and in this instance I feel that it was the case – that Mr D's status as a potential vulnerable customer wouldn't be apparent as a result of the reasonable and proportionate checks that Barclays were obliged to undertake when assessing Mr D's credit account application.

When Mr D applied for the credit account, Barclays took details of Mr D's financial circumstances, such as his monthly income and expenditure, from Mr D as part of the application process. Barclays also received information compiled by a credit reference agency about Mr D's wider financial position, although it appears that Barclays may not have reviewed Mr D's credit file directly.

It's my opinion that Barclays should have reviewed Mr D's credit file directly, in order to gain a clearer understanding of Mr D's financial position at that time. But it remains my opinion that – had Barclays done this – it would have been reasonable for them to conclude that Mr

D wasn't in financial difficulty at that time, such that their decision to offer credit to Mr D wouldn't have been affected.

Mr D has stated that his credit score at that time was poor and that no other lenders would offer credit to him. But the decision to offer credit to a customer is one that it's at the discretion of the business to make, and in this instance Barclays have confirmed that the information that they received from a credit reference agency satisfied them that Mr D did meet their own criteria such that they would offer credit to him.

It also must be recognised that it wasn't the case that no other lenders would offer credit to Mr D at that time, because Mr D was using several payday loan providers around that time, all of which he was repaying on time and without incident.

Mr D believes that his using payday lenders was, in and of itself, an indicator that he was in financial difficulty. But I'm not convinced by Mr D's argument here, and, as explained in my provisional decision, while the use of payday lenders can be an indicator of financial difficulty, this isn't necessarily the case.

In this instance, while Mr D was using payday loans frequently, all of these payday loans were being repaid on time and without incident. Additionally, Mr D's credit file demonstrates that, while Mr D did have an agreed overdraft on his current account at that time, and was overdrawn, he maintained his balance significantly below the overdraft limit.

It's difficult when considering these points not to arrive at the conclusion that Mr D was managing his financial affairs responsibly at that time and that his use of payday loans was one of choice – given that he always had available agreed overdraft facility which remained unused – rather than being one of necessity, such that he was using payday loans because he had no other financial option.

Indeed, in his correspondence with this service, Mr D has confirmed that he made efforts to ensure that he didn't fall behind with his payday loans – and Mr D was continually successful in these efforts.

All of which means that, while I do feel that Barclays should have undertaken a review of Mr D's credit file, I also feel that had they done so that it's reasonable and likely that they wouldn't have concluded from that review that Mr D was in financial difficulty of that they should have reconsidered their decision to offer credit to him.

Mr D also feels that, as a new customer, Barclays should have reviewed his bank statements which would have demonstrated that he was making a large number of gambling transactions at that time. But, while a business is obliged to undertake checks into a customer's financial position at the time of a credit account application, they're only obliged to undertake reasonable and proportionate checks, in consideration of the amount of credit being offered. And I'm not convinced that it would have been reasonable or proportionate for Barclays to have requested copies of bank statements in this instance, given that the amount of credit being applied for in this instance wasn't particularly high, and also given the status of Mr D's credit file and income and expenditure as previously discussed.

Finally, Mr D has expressed his opinion that, as a new customer to Barclays, he should only have been offered a credit limit of £200. But it isn't the case that Barclays are obliged to provide such low credit limits to new customers. Instead, it's at the discretion of Barclays to decide whether to offer credit to an applying customer, and if so, how much and on what terms.

Ultimately, while I have taken Mr D's concerns under further consideration, it remains the case that I feel that the information that Barclays ought reasonably to have assessed shouldn't, in all likelihood, have given them cause to consider that the credit account being offered to Mr D was unaffordable for him at that time. And it follows from this that my final decision will be that I won't be upholding this complaint or asking Barclays to take any further action at this time.

### **My final decision**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 18 June 2021.

Paul Cooper  
**Ombudsman**