

The complaint

Mr B complains Barclays Bank UK Plc trading as Barclaycard (Barclaycard) acted irresponsibly when increasing his credit card limit.

What happened

Mr B was accepted for a Barclaycard credit card in 2015, his agreed credit limit was £2,500.

In January 2017, following a request from Mr B, Barclaycard increased his credit limit to £3,000. In October 2017, Barclaycard offered Mr B a further increase to his credit limit. Mr B had the opportunity to refuse the increase, but he didn't so his limit was automatically increased to £4,500.

Mr B complained to Barclaycard that they'd acted irresponsibly by increasing his credit limit. He said he had multiple loans with other lenders and was borrowing from one lender to pay off other loans. He thinks they should've known he'd be unable to repay additional credit.

Mr B told Barclaycard the availability of the additional credit had financially ruined his life, and he'd since had to ask a debt management charity for help in addition to seeking help to battle a serious gambling problem.

Barclaycard investigated Mr B's complaint, but they didn't think they'd acted irresponsibly, saying in the months leading up to his limit being increased he'd managed his account very well and had even cleared his balance in full at times. Barclaycard also said whilst they appreciated Mr B may have had outstanding balances with other lenders at the time, there was no evidence to suggest he did not meet their lending criteria.

However, Barclaycard did acknowledge that Mr B exceeded his limit almost immediately after his limit was increased to £4,500, resulting in the loss of promotional rates active on his account at the time. Because of this, and as a gesture of goodwill, Barclaycard refunded interest, over limit charges and a late payment charge totalling £170.62 to Mr B's account.

Mr B remained unhappy so brought his complaint to our service. One of our investigators looked into things but whilst he thought Barclaycard had carried out checks proportionate to the increases involved, he thought the information gathered as part of those checks should've prompted Barclaycard to have looked further into Mr B's financial situation before agreeing further lending.

Our investigator said Barclaycard shouldn't have agreed the increases to Mr B's limit. He said Mr B had taken out multiple payday loans and it was clear there were a high volume of gambling transactions.

To put things right, our investigator said Barclaycard should refund all the interest, charges and fees charged to the card since the initial increased to Mr B's limit in January 2017. He also said should those adjustments put Mr B's account in credit, any additional amount should be refunded to Mr B plus 8% interest and Barclaycard should remove any adverse data recorded with credit reference agencies.

Barclaycard didn't agree with our investigator saying the external data they received from the checks completed prior to the limit increases, took into consideration the level of borrowing Mr B held, both internally and externally. And based on his income and expenditure, the checks showed both increases to be affordable.

Barclaycard also said they re-decision any proposed increases via their own internal records and whilst they acknowledge Mr B's usage of payday loans, they consider these to have been well maintained and that Mr B was managing his payments.

Our investigator said he didn't fully agree Mr B's credit report showed he was managing his borrowing well. He said the volume and frequency of the payday loans Mr B had taken out suggested he was borrowing to repay previous loans, and this should've alerted Barclaycard to ask further questions. Had they done, our investigator thought this would've shown Mr B's income was being inflated by his borrowing, so his opinion remained unchanged.

Barclaycard said as it was Mr B that'd asked for the initial increase, they'd been provided with up to date information for him and both increases did not get to double Mr B's original credit limit. So, they felt the increases were well within what they'd have considered to be affordable.

As Barclaycard remained dissatisfied with our investigator's opinion, this case has been passed to me 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.

While I appreciate it'll be disappointing for Barclaycard, I've decided to uphold Mr B's complaint and for much the same reasons as our investigator. I'll explain why.

The FCA sets out the rules and guidance about what lenders need to do before lending to customers. Essentially, they need to make reasonable and proportionate checks to ensure that a customer will be able to repay the debt in a sustainable way. The lender has to take into account the potential for the debt to adversely impact a customer's financial situation.

When considering increases to a consumer's credit limit, Barclaycard say they decide if further lending is affordable based on how a consumer manages their account and on information obtained from a credit reference agency. They also conduct an internal review to assess the likelihood of a consumer defaulting upon their account.

Both when Mr B asked to increase his credit limit in January 2017, and when Barclaycard again increased his credit limit in October 2017, Barclaycard say there were no defaults upon his credit file, and on each occasion he held only three active payday loans at the time.

Barclaycard say Mr B fully met with their lending guidelines and when offered the second increase, Mr B was provided several opportunities to decline the limit increase, but he did not exercise his right to do so.

Mr B also held a current account with Barclays, and Barclaycard say they would've considered the management of that account, but not the individual transactions conducted on it.

I understand Barclaycard are satisfied the checks they conducted were both reasonable and proportionate and I would agree. But I'm not satisfied it was fair for them to provide further lending based on what they knew about Mr B through those checks and the information about him available to them.

The FCA rules anticipate that if, based on the information available, there is any indication that the customer is experiencing financial difficulties or that they would not be able to afford the credit in a sustainable way, lenders will obtain more information and carry out further checks. I'm satisfied Barclaycard should've obtained more information to understand Mr B's income, expenditure and his pattern of debt. As a minimum, I think Barclaycard should've reviewed the statements they already had access to for Mr B's current account held with Barclays.

I say this, because in the months prior to Mr B's first credit limit increase in January 2017, there were minimal transactions conducted through his Barclaycard account. However, the transactions that were made included four gambling transactions totalling £675 and a cash transfer for £1,400 to his Barclays current account. I acknowledge Barclaycard say gambling transactions are processed as cash and so there is no way of identifying if a customer is using a card for gambling, but I don't accept this. It's clear from Mr B's statements which transactions relate to gambling from the merchants involved.

If Barclaycard had looked at Mr B's current account statements, they'd have seen a high dependency on payday loans. From these he received credits of £4,320 from payday loans in the three months leading to January 2017, and that he also made a total of 28 payments back to payday lenders over the same period totalling £3,737.35. Mr B also conducted 40 transactions to gambling companies over those three months, totalling £953.

Again, prior to increasing his limit in October 2017, Barclaycard could see he'd used his credit card to conduct a further 14 gambling transactions totalling £543 and made two further cash transfers to his Barclays current account totalling £450. I think this expenditure is reason enough for Barclaycard to have, if not to obtain more information from Mr B, as a minimum to have looked more into the information already available to them.

And like before, in the three months leading to the October 2017 increase, Barclaycard would've seen Mr B received total credits of £2,745 from payday loans, in turn making six payments back to payday lenders totalling £2,312.73. Barclaycard would've also seen Mr B had made a further 17 gambling transactions totalling £238.

I'm satisfied that had Barclaycard reviewed Mr B's statements, they'd have come to the conclusion that providing further lending to him would adversely impact his financial situation, and that he wouldn't be able to repay the debt in a sustainable way. So, I think they would've declined his request for an increase to his credit limit in January 2017 and I don't think they should've offered him further lending in October 2017.

Barclaycard say both Mr B's bank account and his payday loans were well maintained, but I don't agree. I think it's clear Mr B was repaying payday loans by taking further loans out and the turnover on the account was clearly inflated by this borrowing. So, I've concluded, had Barclaycard requested further information or carried out suitable checks on the information they already had available to them, they wouldn't have increased Mr B's borrowing – and they need to put things right.

Putting things right

In thinking about the fairest way to resolve this complaint for both parties, I've taken into consideration that Mr B did use the credit both limit increases made available to him. But, for the reasons I've explained above, as I don't think Barclaycard should've increased Mr B's limit, it should refund all interest, charges and fees applied to his account from the date the first increase took place in January 2017.

Barclaycard should also remove any adverse data entries caused as a result of his limit being increased above £2,500.

My final decision

Barclays Bank UK Plc trading as Barclaycard should:

- Refund all interest, charges and fees applied to Mr B's account from the date of the first credit limit increase in January 2017, excluding the amount of £170.62 they have already refunded.
- Should Mr B's account go into a positive balance as a result of any refund, this should be paid to Mr B and 8% simple annual interest should be added on that

amount.

- Barclaycard have said they suspended all interest and charges on Mr B's account when he entered a debt arrangement scheme (DAS). I'm pleased to see interest and charges will continue to be suspended throughout the duration of the DAS however should a balance remain outstanding on Mr B's account, Barclaycard should ensure interest and charges on the increased limits is suspended until cleared.

Finally, Barclaycard should remove any adverse entries caused as a result of the credit increased from Mr B's credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 19 October 2021.

Sean Pyke-Milne
Ombudsman