

## The complaint

Mrs S complains that Barclays Bank Plc trading as Barclaycard (Barclaycard) lent to her irresponsibly. Mrs S is represented by Mr S, her husband.

## What happened

Mrs S had a credit card from Barclaycard from 2012. Between 2013 and 2018, her credit limit was increased five times as shown:

Date	Old Credit Limit	New Credit Limit
23 October 2013	2250	4500
20 May 2014	4500	6000
29 December 2014	6000	7000
21 October 2015	7000	8000
29 May 2018	8000	11000

The limits were proactively increased by Barclaycard. By December 2018, the balance on the card was £11,147 debit. Her annual income was £3,000. In June 2020, Mrs S' account defaulted as no payments were being made. In January 2021, her debt was £11,756.68.

Mrs S complained that she shouldn't have had a credit card in the first place as she hadn't worked since 2006. And she couldn't afford to borrow more money so the credit limits shouldn't have been increased by Barclaycard. She said that she wrote to Barclaycard to say she didn't want the increased credit limit. She complained to Barclaycard in January 2020.

Barclaycard said that they had undertaken appropriate credit checks which showed that Mrs S could afford to borrow more money at each increase in the limit. They said that she had conducted her account very well. They said that Mrs S asked for the increases – other than the 2018 increase, which was proactively offered.

Mrs S brought her complaint to this service. Our investigator replied in February 2020. She said that the service couldn't look at the issuing of the card in 2012 as this was over six years ago and it fell outside the Financial Ombudsman's jurisdiction. Looking at the increases in the credit limits, Mrs S had requested most of these. Barclaycard had shown that they had carried out credit checks to assess the suitability of the new limits. She felt that the checks were proportionate. They had checked account history, repayment history, current account information and credit reference agency data. On the last increase of limit to £11,000, she said that Barclays had looked at the account for the six months period prior to the increase and found that the increase was affordable. She didn't uphold Mrs S's complaint.

Mrs S responded to the investigator. She said she hadn't requested the increased limits. She had contacted Barclaycard on one occasion to decline the offer, but the limit was still increased. Only the minimum payments were being made each month. She said that the joint bank current account was usually overdrawn, and they were paying interest and charges. She had taken out a large loan of £11,700 from Barclays to help with the payments.

The investigator wrote to Mrs S again in March 2020. She didn't change her view. She said that Barclaycard had made a mistake in what they'd told us - all the increases in credit limits were proactive increases by them. Barclaycard couldn't find anything from Mrs S to say she didn't want an increase. In her view, the account activity and Barclaycard's checks covering the six months before the final limit increase in May 2018 were reasonable.

Mrs S didn't agree and asked that her complaint be looked at by an ombudsman.

*I reached a provisional decision where I said:*

The Financial Ombudsman service is bound by the Financial Conduct Authority's rules covering complaints, known as DISP rules (DISP 2.8.2). They state that we can't consider a complaint if it's referred to us more than six years after the event complained about, or if later, three years from the date on which the complainant ought reasonably to have been aware they had cause to complain. Mrs S complained in January 2020. Under our rules, therefore, we cannot consider what happened before January 2014 – so this excludes the issue of the card in 2012 and the first limit increase in October 2013. Mrs S is aware of this – and Barclaycard have also confirmed this approach is OK.

Turning to the suitability of the subsequent increases in credit limits, I take a different view to the investigator. In deciding whether a customer was provided with unaffordable credit or provided with credit irresponsibly, we need to understand:

- Whether the lender completed reasonable and proportionate checks to satisfy itself that the borrower would be able to repay any credit in a sustainable way?
- If reasonable and proportionate checks were completed, did the lender make a fair lending decision made bearing in mind the information gathered and what the lender knew about the borrower's circumstances?
- If reasonable and proportionate checks weren't completed, would reasonable and proportionate checks more likely than not have shown that the borrower was more likely than not unable to sustainably repay what they were being lent?
- Was there a point where the lender ought reasonably to have realised it was increasing the borrower's indebtedness in a way that was unsustainable or otherwise harmful and so shouldn't have provided further credit?
- Did the lender act unfairly or unreasonably in some other way?

And, these considerations must be borne in mind at the time of each of the increases in credit limit. The checks need to be more thorough the lower a customer's income and the amount to be repaid.

Barclaycard say they were not aware that Mrs S's income was £3,000 p.a. as she hadn't told them, and I accept that. They say that their credit checks were completed and showed no adverse information. And that Mrs S's account had been conducted very well. They accepted that the increases were offered proactively and not requested by Mrs S – as they first stated. They were unable to say if Mrs S declined the offers of increases (as she could've done) – their records showed no contact from her.

I've looked at Mrs S's credit card statements. Broadly speaking, the account activity was OK throughout 2014 through to the first half of 2016. There was a decent "swing" in the debit balances and the debt was well within the credit limits. The balance was around £2,500 for most of the period between 2014 and 2015 – a lot lower than the credit limits in place at the

time. Minimum payments – or just over them - were being made – and sometimes, more. So, I cannot see that there was a reason for Barclaycard to be concerned during that time – up to and including the increase to £8,000 in October 2015.

However, during the second half of 2016, there were signs of difficulty. There was a trend of making only the minimum payments. And there were several large cash withdrawals of between £250 to £500 a time from the account. The debt increased to the level of the limit of £8,000 by December 2016. This pattern continued in 2017. By the end of 2017, I saw that two monthly payments were missed, and late payment fees were paid. Few retail purchase transactions were made as the debt was regularly at the limit.

From December 2017 through to June 2018, this trend continued - only the minimum monthly payments were made and there were several large cash withdrawals of between £300 and £400. There were few purchase transactions. Barclaycard could reasonably have concluded that Mrs S was in difficulty and at least carried out further checks to ensure she could afford the increase – but they didn't.

I have also looked at the joint account bank statements for Mr and Mrs S. They show regular overdrawn balances, with interest and charges being paid. They also show payments to five or six lenders (including Barclays Bank) which suggests that there was other borrowing. This shows that Mrs S was having difficulty in managing her finances. Barclaycard should have carried out more extensive checks before increasing the credit limit to £11,000 in May 2018. Given Mrs S's circumstances, the checks they completed weren't reasonable and proportionate.

I can agree that the increases in limits up to and including the increase to £8,000 in October 2015 were OK. But - I don't think that Barclaycard acted responsibly in proactively increasing the limit on the credit card to £11,000 in May 2018.

Mrs S has had the use of the money, so I don't think it is reasonable to ask that any of the lending is written off. But I do think that Barclaycard should - from May 2018 to the date of a final decision – refund all interest charges and fees on the debt above £8,000 and all late payment fees. Any adverse information lodged at the credit reference agencies should be removed. I can see that this matter has been a worry for Mrs S and her family and a payment of £200 for distress and inconvenience should be made. Once the refunds have been made, it would be right for Mrs S and Barclaycard to agree a mutually agreeable repayment schedule for the remaining debt. The terms of this is a matter for Barclaycard and Mrs S.

#### Responses to the provisional decision

Barclaycard had no comments, but Mrs S did. She said:

- She never had the use of the money – as it was used to pay other debts.
- The increase in lending by Barclaycard led to a spiralling of other debts
- The compensation offered isn't proportionate to what the lending led to
- She has entered into an IVA for her debts

So – I now need to make 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.

Looking at Mrs S' comments – I can't really comment on what happened as a consequence of Barclaycard's lending – I can only look at what Barclaycard did. On the matter of compensation, the amount of £200 is what this service would expect to see for this type of case. And – the refund of interest and fees should also provide some benefit. I note that Mrs S has entered into an IVA with her creditors, and hope that in time, this will resolve her problems.

So – I am issuing my final decision in line with the provisional decision, with the same set of remedies and for the reasons I gave in it.

### **My final decision**

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

- Refund interest charged on the credit card for the debt above £8,000 from May 2018 to the date of this final decision.
- Refund all late payment fees from May 2018 to the date of this final decision
- Remove any adverse information noted on Mrs S's credit file.
- Pay £200 to Mrs S for distress and inconvenience.
- Agree a mutually acceptable repayment schedule for the remaining debt – noting that this will now be affected by Mrs S' IVA.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 12 August 2021.

Martin Lord  
**Ombudsman**