

The complaint

Miss G is complaining about Barclays Bank UK PLC trading as Barclaycard for having irresponsibly lent to her.

What happened

Miss G was accepted for a Barclaycard credit card in September 2017 with a credit limit of £3,800. Barclaycard increased the credit limit in September 2018 to £5,300. She used some of the original credit limit to transfer balances from other providers to a 0% promotional interest rate with Barclaycard.

Miss G complained to Barclaycard that they had irresponsibly lent to her. She said that she was a single mother, her income was different benefits and she had other unsecured borrowing at the time of the application. Miss G believed that Barclaycard didn't complete sufficient credit checks on her and if they had done so then they shouldn't have accepted her application or increased her credit limit. She asked Barclaycard to refund any interest or charges she's paid and to remove any negative data from her credit file.

Barclaycard say they considered the information on the application form and carried out checks which confirmed the credit card was affordable. They say that they would include benefit income into affordability calculations as it was regular income. Barclaycard also explained that they wouldn't have increased the credit limit if they didn't think Miss G could afford the repayments and so they didn't uphold her complaint.

Miss G explained she is in financial difficulty. She informed Barclaycard of this on 15 September 2020. Barclaycard wrote to her on 18 September 2020 to get in touch with them to discuss this. Her account is currently with collections. The collections team tried to contact Miss G via letter, text message and telephone to discuss this. Barclaycard say Miss G told them in November she was making token payments of £20 a month towards the outstanding balance. Since then, Miss G got in touch with Barclaycard's *Specialist Support Team* (SST) and they agreed a reduced repayment plan with her. Barclaycard said that as she agreed to the reduced repayment plan they have stopped all charges from being applied to her account.

Miss G didn't agree with the outcome of her complaint so brought it to our service. Our investigator didn't uphold Miss G's complaint. The investigator said that Barclaycard had shown that she said she was employed with income of £13,000 and used this and other information, including details from her credit file which shows the credit was affordable. Miss G had generally kept her account in good order and often made payments above the minimum monthly repayment, even after the credit limit increased. This would indicate that the repayments were affordable. Miss G didn't agree with the investigator's outcome so she asked for the complaint to be reviewed by an Ombudsman.

As my findings differed in some respects from our investigator's, I issued a provisional decision to give both parties the opportunity to consider things further. This is set out below:

"I've considered all the available evidence and arguments to decide what's fair and

reasonable in the circumstances of this complaint.

First, I must explain to Miss G that as she made a complaint to Barclaycard regarding irresponsible lending and not for financial difficulty then I do not have consent from Barclaycard to look at the financial difficulty aspect of the complaint she's brought to this service. This is because Barclaycard said that her financial difficulty was only brought to their attention after they had issued their final response letter. But they have said that if Miss G wants them to investigate this for her as a separate complaint then she can contact them to do so. As a result, I will just be looking at if Barclaycard have irresponsibly lent to Miss G.

Barclaycard are entitled to decide who to lend to and, if they're willing to lend, how much and on what terms. What Barclaycard need to have done before lending to Miss G, is to have made proportionate and reasonable checks to see whether the credit card was affordable and sustainable for her.

Barclaycard have provided me the application details. This shows that Miss G stated her annual income was £13,000. Barclaycard need to consider what the Financial Conduct Authority handbook says here. That the Consumer Credit sourcebook - (CONC) states (CONC 5.2A.16 (3)) "For the purpose of considering the customer's income under CONC 5.2A.15R, it is not generally sufficient to rely solely on a statement of current income made by the customer without independent evidence". So, Barclaycard say they considered this information alongside credit checks to look at whether she could afford the card. The credit checks would enable them to see payments made to other providers were being made, the amount of monthly payments and whether these were paid on time. Having made these checks Barclaycard were satisfied Miss G could afford the card even if she had other unsecured debt.

Miss G wasn't actually employed and had substantially less income than what was declared on the application form. So if Miss G wasn't working at the time she applied for the credit card, I can't see that Barclaycard could have been aware of this unless she told them this was the case. But I can't see that she did. So I've thought about whether Barclaycard's checks were fair and proportionate here. I'm not persuaded they were, and I'll explain why.

Miss G did have external debt prior to applying for the Barclaycard. And she was making payments to these accounts. But she also had available credit that she could have used on these accounts so it would have been reasonable for Barclaycard to consider this prior to granting the credit limit increase. For example, prior to the credit limit increase she had a credit card limit with a third party of £3,750. At the time she had a balance of approximately £400 but Barclaycard would need to consider her overall position and the possibility that she could use up all of that limit. Miss G says she was borrowing from friends and family and winnings from gambling to make these payments. The initial limit Barclaycard gave her substantially increased her available credit. The initial credit limit alone would be nearly four times her declared monthly income. So in these circumstances I don't think it would have been unreasonable to have expected Barclaycard to validate some of the information Miss G had given them.

I'm persuaded that if Barclaycard had requested further information from Miss G such as a payslip or bank statements, they would have seen that she wasn't employed. I have seen her bank statements and they only show income from benefits, gambling withdrawals and friends and family. And while they still may lend to someone in receipt of benefits, I'm satisfied that they would have also seen that her income was substantially less than declared and that she had a reliance on meeting her outgoings through borrowing from friends and family and/or gambling winnings. Her statements show small credits from family and friends and they often show more outgoings than the benefits she receives. The three bank statements leading up to the credit limit increase show that she is frequently utilising

her overdraft. So Barclaycard would've seen that the credit limit they initially made available to her would have been approximately six times her actual benefit income and so I'm not persuaded they would have given her the credit limit they did for these reasons.

I've considered Miss G's circumstances regarding the credit limit increase. Barclaycard said they used a third party company to assess Miss G's income and outgoings to give a confidence of the income Miss G has crediting her bank account. But I'm not persuaded that this took into account Miss G's personal circumstances at the time and I'll explain why. Miss G has said that before her credit limit was increased by Barclaycard she had increased her external debt. Barclaycard have said that Miss G had £1,400 external debt at the time of the increase, so they didn't feel that she was over indebted. But if the third party did look at the income and outgoings of Miss G's bank account they will have seen that she would've been relying on friends and family and gambling winnings to meet her outgoings. This is demonstrated by her bank statements prior to being accepted initially for the credit card. On her June 2017 statement it shows several small deposits which Miss G has said she needed to borrow from friends and family to meet her outgoings.

On Miss G's August 2017 bank statement her monthly credits are showing as £1,085.86 but £320 of this is from a gambling site. I'm satisfied that this would've also shown that she did not have the disposable income to ensure the repayments would be sustainable for Miss G. So while the third party may be able to view income and outgoings, I'm not persuaded that Barclaycard did make proportionate checks on these occasions as her actual individual circumstances weren't analysed compared to the credit limit Barclaycard initially offered her and in relation to the credit limit increase. So I intend to ask Barclaycard to put things right for Miss G.

Here, I think it's fair that Miss G repays what she's borrowed from Barclaycard (as she's had the use of the money), but only that amount. I don't think it's fair that she's disadvantaged by having to pay back any more than this.

So, my decision is that Barclaycard should remove all interest and charges applied to the account and recalculate what (if anything) Miss G owes from the initial amount she borrowed (taking account of any payments she's made). As I'm persuaded that had Barclaycard completed further checks which were proportionate to her individual circumstances, they wouldn't have lent to her. They should also remove any adverse information from Miss G's credit file relating to the Barclaycard credit card."

I invited both parties to let me have any further submissions before I reached a final decision. Miss G said she was happy with the provisional decision and had nothing further to add. Barclaycard had nothing further to add.

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.

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As neither party had any further points to add to my provisional decision then my final decision and reasoning remain the same. It follows that I'll now be telling Barclaycard what they'll need to do to put things right here.

Putting things right

In my provisional decision I suggested Barclaycard should refund all interest and charges applied to the account from the date the account was opened to the date of any final decision; If at any period this resulted in Miss G's account being in credit, pay 8 per cent simple annual interest on the date that balance arose to the date of settlement; And remove any adverse entries on Miss G's credit file. I'm still satisfied this is a fair outcome for the reasons given previously.

My final decision

Barclays Bank UK Plc trading as Barclaycard should:

Refund all interest and charges applied to the account from the date the account was opened to the date of any final decision;

If at any period this resulted in Miss G's account being in credit, pay 8 per cent simple annual interest on the date that balance arose to the date of settlement;

And remove any adverse entries on Miss G's credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss G to accept or reject my decision before 19 August 2021.

Gregory Sloanes
Ombudsman