

## **The complaint**

Mr C complains about a credit limit increase given to him by Barclays Bank UK PLC trading as Barclaycard.

## **What happened**

In June 2014, Barclaycard reviewed Mr C's credit card account and increased his credit limit from £7,000 to £10,000. Mr C says that at the time he was going through financial hardship and had developed a gambling problem. He thinks Barclaycard increased his limit irresponsibly and, if it had carried out reasonable checks, it ought to have realised he was gambling excessively and wouldn't have allowed the increase. He repaid most of the debt ten months later after borrowing from a family member and closed the account in April 2018.

Barclaycard says it could see some gambling transactions – debits and credits – going through the account. But it says that gambling is legal and was a legitimate way to use a credit card at the time. It wasn't aware that Mr C had a gambling problem. Barclaycard said the account was generally well run, payments were being made, the balance kept within limits and his relationship with Barclays didn't raise any concerns. It says it wrote to and text Mr C to advise him of the increase and gave him the option to opt out of it.

One of our investigators looked into Mr C's complaint. He felt that as Mr C's account had been operating within limits, Barclaycard had made him aware the increase was optional and Mr C hadn't made the bank aware of any financial or gambling difficulties, the decision to increase his credit limit was reasonable.

## **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 didn't agree with the findings of our investigator and issued a provisional decision. I said:

*We've set out our approach to complaints about unaffordable lending on our website – including the key relevant rules, guidance good industry practice and law. And I've considered this approach when deciding this complaint.*

*Barclaycard needed to take steps to ensure that it didn't lend to Mr C irresponsibly by carrying out reasonable and proportionate checks. I think there are key questions I need to consider in order to decide what is fair and reasonable in the circumstances of this complaint:*

- *Did Barclaycard carry out reasonable and proportionate checks to satisfy itself that Mr C was in a position to sustainably repay the increased limit?*
- *If not, what would reasonable and proportionate checks have shown at the time?*
- *Did Barclaycard make a fair lending decision? Did Barclaycard act unfairly or unreasonably towards Mrs D in some other way?*

*Barclaycard was required to carry out a borrower focussed assessment. This assessment is sometimes referred to as an 'affordability check' or affordability assessment'. The purpose of the checks is for Barclaycard to think about whether repaying the increased limit sustainably would cause difficulties or adverse consequences for Mr C. In other words, it wasn't about Barclaycard assessing the likelihood of it being repaid, but it had to consider the impact of the increased limit repayments on Mr C.*

*Barclaycard had to carry out reasonable and proportionate checks to satisfy itself that Mr C would be able to repay the increased limit sustainably. There was no set list of checks that Barclaycard had to do, but it could take into account several different things such as the size of the increased limit, the amount of the monthly repayments and the overall circumstances of the borrower.*

*Taking all that into account, I think a reasonable and proportionate check ought generally to have been more thorough where:*

- *a customer has a low income;*
- *the higher the amount due to be repaid (because it may be more difficult to meet a higher repayment for a particular level of income);*
- *the term of the credit offered (because the total cost of the credit is likely to be higher, and the customer is obliged to make payments for a longer period); and the greater the number and frequency of credit and the longer the period of time during which a customer has been given credit (because of the risk of repeated refinancing may signal that the borrowing has become or was becoming unsustainable).*

*Did Barclaycard carry out reasonable and proportionate checks to satisfy itself that Mr C was in a position to sustainably repay the increased limit?*

*Barclaycard said that when it assessed Mr C's account for the limit increase, it took into account things like his payment history and his overall relationship with Barclays (not just Barclaycard). It said payments were always made on time and he remained within his credit limit on the card. Mr C's other accounts with Barclays didn't raise any concerns, so it felt its decision to increase his credit limit wasn't irresponsible.*

*Mr C ran his accounts in line with his credit limit and made payments on time, so I can understand why Barclaycard felt its checks were reasonable and proportionate. But, as it has acknowledged, there were a high volume of gambling transactions going through both his account with Barclaycard and his accounts with Barclays which it says it considered when it increased the limit.*

*The rules lenders must follow are set out by the industry regulator, the Financial Conduct Authority, in its Consumer Credit Sourcebook (CONC). At the time Barclaycard agreed this limit increase, CONC 6.7.7 said 'a firm must not increase, or offer to increase, the customer's credit limit on a credit card...where...(2) a customer is at risk of financial difficulties.' While I acknowledge Barclaycard's comments that gambling was, at the time, a legal and legitimate way to use his credit card, I think the volume of transactions across the accounts it says it looked at, ought to have prompted it to look further. I don't think its checks were reasonable and proportionate.*

*What would reasonable and proportionate checks have shown at the time? Did Barclaycard make a fair lending decision?*

*In the months leading up to June 2014, Mr C's Barclaycard account was approaching its*

credit limit of £7,000 and the vast majority of the spending consisted of gambling transactions. In line with its policy, Barclaycard charged a 'cash transaction fee' for such transactions. It strikes me that someone who was in control of their gambling would be less likely to use a credit card for such purposes due to the extra charges involved – but that of course is a matter for the account holder.

Mr C's current account showed he was receiving a monthly salary in the region of £1,200. There were numerous gambling transactions showing, as well as payments to other creditors and money coming into the account from family members. He was routinely using his overdraft on the account.

In November 2013 – just a few months before the increase – a direct debit for £292 began to go out of his account monthly to another bank. A £8,000 credit was received from that same bank in August 2013, so I consider it likely this was a loan, given the regular payment commitment. This accounts for approximately a quarter of his net monthly income. After this, his account shows he was overdrawn by a higher amount and for longer each month. I think this is a sign of pressure on his finances caused by his credit commitments alongside his gambling transactions.

Using £1,200 as an average salary, Mr C was receiving £14,400 per year (net of tax and deductions) in income. The credit limit proposed by Barclaycard of £10,000 represents approximately 70% of his annual income. I think it's fair to say that represents a significant proportion of his income.

CONC 5.3.1 at the time, said that businesses:

1. '(a) should consider the customer's ability to repay **the maximum amount of credit available** (equivalent to the credit limit) under the agreement within a reasonable period;
2. (b) may, in considering what is a reasonable period in which to repay the maximum amount of credit available, have regard to the typical required time for repayment that would apply to a fixed-sum unsecured personal loan for an amount equal to the credit limit; and
3. (c) **should not use the assumption of the amount necessary to make only the minimum repayment each month**' (my emphasis)

I've thought about the repayments needed for Mr C to have been able to repay the new limit of £10,000 in a reasonable period as required by CONC 5.3.1, Barclays charged interest at 2.075% a month on Mr C's credit card, which works out to be 24.9% per year. If Mr C were to repay the full £10,000 within four to five years at this rate of interest, my research shows he would need repay between £280 to £320 a month.

So, for the purpose of assessing if Mr C could afford to sustainably repay the increased limit, approximately half his monthly income would be used to repay his credit commitments (including the £292 loan repayment I mention above) before considering any other non-discretionary expenditure.

I also see from looking at his current account statements that Mr C had a longstanding payment mandate going to an account he shared with his partner named 'Bills Account'. He was paying £600 each month into that account. Whilst I've not seen how that money was ultimately spent, I find it plausible that this amount reflects Mr C's contribution to the couple's non-discretionary spending. I'm not persuaded Mr C's income was sufficient to cover his credit and non-discretionary spending commitments – and he would be left with little to no disposable income each month. So, my view is that the decision to increase Mr C's credit limit was an irresponsible one.

Did Barclaycard act unfairly or unreasonably towards Mr C in some other way?

*I've carefully thought about all the evidence provided by each party to this complaint. Having done so, I don't think Barclaycard has acted unfairly or unreasonably towards Mr C in some other way.*

*But I do think Barclaycard should not have increased Mr C's credit limit, so I am upholding his complaint.*

**Putting things right**

*When I find that a business has done something wrong, I'd normally direct that business to put the complainant in the position they would be in now if the mistake it made hadn't happened, as far as is reasonably practical.*

*In this case, that would mean putting Mr C in the position he would be in now if he hadn't been given the credit limit increase. But Mr C was given the increase, used the money and has already repaid the entire amount including interest and charges.*

*So, I think Barclaycard should:*

*A. Find out how much Mr C would have owed it when he closed his credit card account, had it not increased the limit to £10,000. So, it should remove any interest charged because of the increased limit and remove any charges that it also caused.*

*Barclaycard should then refund the difference between what Mr C owed when he closed his account and what he would have owed, if the limit had not been increased £10,000.*

*B. Barclaycard should add simple interest on the difference between what Mr C would have owed when he closed his account from when he closed it until he gets the refund. The interest rate should be 8% a year.\**

*C. If – when Barclaycard works out what Mr C would have owed each month less the extra interest and charges – Mr C paid more than enough to clear his balance, Barclaycard should also pay simple interest on the extra he paid. And it should carry on paying interest until the point when Mr C would've owed Barclays something on his credit card. The interest rate should be 8% a year.\**

*D. Barclaycard should tell Mr C what it's done to work out A, B and C.*

*\*If HM Revenue & Customs requires Barclays to take off tax from this interest. Barclays must give Mr C a certificate showing how much tax it's taken off if he asks for one.*

*Mr C and Barclaycard have both accepted my provisional decision, so I see no reason to depart from it.*

**My final decision**

My final decision is that Barclays Bank UK PLC trading as Barclaycard should settle this complaint as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 24 August 2021.

Richard Hale  
**Ombudsman**