

## **The complaint**

Mrs A complains that Barclays Bank UK PLC trading as Barclaycard (Barclaycard) lent to her irresponsibly.

## **What happened**

In December 2015, Mrs A applied for a Barclaycard on a balance transfer offer. It was agreed with a limit of £3800. In June 2016, Barclaycard offered, and Mrs A accepted, an increase in the limit to £4800. In September 2019, the debt was sold to a debt collection agency (DCA). In November 2020, Barclaycard wrote to Mrs A to say that they'd reviewed the way they set some customers' limits and the limit may have been too high. They refunded interest of £486.55 by a credit to her debt with the DCA.

Mrs A complained. She said she shouldn't have been given the card or increase in limit. She was in persistent debt with her other bank, and she had debts of £7250. Her income was £1100 a month, and outgoings were £900. Her payments to other creditors were £200. She couldn't afford the Barclaycard and they couldn't have made sufficient checks.

Barclaycard said Mrs A had passed their credit checks for the issue of the card and the limit increase. Her credit file had been checked and the information she gave to them suggested she had a monthly disposable income of £182, so she could afford the card. She also met their criteria for the limit increase.

Mrs A brought her complaint to us. Our investigator said that Barclaycard had acted fairly. The checks they made were proportionate to the limits put in place. Mrs A's credit file showed no missed payments, and she had maintained her other accounts for some years before. Barclaycard's income and expenditure assessment looked reasonable – and showed she could afford the card. Also – because she was taking a zero per cent balance transfer offer, she would've saved on interest cost by transferring other borrowing to Barclaycard. Barclaycard had already refunded interest and so they didn't need to do anymore.

Mrs A disagreed. She said that the transfer of her debt to the DCA had been shown to be flawed. And therefore, Barclaycard's refund of interest should be paid to her, not as a reduction in her debt with the DCA – as it had been. She asked that her complaint be looked at by an ombudsman.

## **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.

All lenders have an obligation to lend money responsibly. We must check whether Barclaycard acted in line within the Financial Conduct's (FCA) rules on creditworthiness assessment as set out in its handbook, (CONC) section 5.2. These say that a firm must undertake a reasonable assessment of creditworthiness, considering both the risk to it of the

customer not making the repayments, as well as the risk to the customer of not being able to make repayments. We look at:

- 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?
- And a reasonable and proportionate check would usually need to be *more* thorough:
  - the lower a customer's income, and the higher amount to be repaid.
  - the greater the number of loans and frequency of loans.
  - the longer the term of the loans

It's important to note that the checks must be proportionate to the amount being lent – so the higher the amount, the greater the checks must be.

I've looked what happened here. When Mrs A applied for the card, she said she was earning just over £15000 a year and was in rented property. Barclaycard worked out from what she told them that after all outgoings, (including other existing card payments), she had monthly disposable income of £182 a month – so with the minimum payments of around £60 a month, she could afford the card.

Barclaycard looked at Mrs A's other borrowing. She had two bank accounts with debts of £3853, and a credit card with a balance of £2929. These had been running for several years - the credit card since 2009, and the bank accounts since 2004 and 2011. And, payments were up to date – so she had a decent track record. Mrs A has said her payments to other lenders were £200 a month – but in her application to Barclaycard, the credit card payment is shown as £42 – which looked about right for the borrowing on that card. So – I consider that Barclaycard were OK to issue her the card with a limit of £3800.

When Mrs A started the card with Barclaycard, she drew down the limit of £3800 by balance transfer on an interest-free offer – so I assume she repaid some of her other debts, and saved money. In the first three months, she paid well over the minimum amount needed – she paid £140 in December 2015, £180 in January 2016, and £481 in February 2016. After that, in the next three months, she paid the minimum amount of £60, or just over it. So – things would've looked OK to Barclaycard. And this, given also what they knew about Mrs A from her application, suggests Barclaycard were justified in increasing her limit to £4800.

Mrs A had said to us that she was in 'persistent debt' with her other bank. By this, I think she means she was permanently in debt and wasn't making any inroads into her borrowing. That may have been the case, but we can only expect Barclaycard to look at the information on her credit file – which showed that she was making all her payments to the other bank, and on time, and she had done consistently for at least 14 months before.

Against this, there's an argument for saying that it was only five or six months since Mrs A took out the card – and Barclaycard should've waited longer before increasing her limit to £4800. Also, when Mrs A took the limit of £4800 – this meant she had debts of around £11500 – which was high in comparison with her salary of £15000. I've considered these aspects, but feel that on balance, Barclaycard did undertake the proportionate checks needed.

Barclaycard have already suggested to Mrs A that they may have been wrong in increasing her limit to £4800 and refunded some interest. This was part of an exercise that they undertook for a lot of their customers during the period – but it doesn't mean that their

lending decisions were irresponsible in every case – each one needs to be looked at on its merits, which is what I've done here.

As a response to our investigator's view, Mrs A said that the transfer of her debt to the DCA had been shown to be faulty, and so the interest refund of £486.55 should be paid to her, not in reduction of her debt with the DCA. I've looked at the evidence she sent us. It's a consent order dated August 2021 discontinuing the DCA's application for a County Court Judgement. This is dated well after Barclaycard's refund of interest in November 2020 – and so therefore, Barclaycard couldn't take account of it when they refunded the interest. Also, it wasn't part of Mrs A's complaint to Barclaycard or to us. So – I will not look at this aspect. But – it's for Mrs A to raise this complaint with Barclaycard if she wishes.

And so, while I know this will be disappointing to Mrs A, I think that on balance, Barclaycard did carry out the necessary and proportionate checks, and I won't be asking them to do anymore here.

### **My final decision**

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs A to accept or reject my decision before 28 September 2021.

Martin Lord  
**Ombudsman**