

## The complaint

Mr P complains about lending made to him by Barclays Bank UK PLC trading as Barclaycard. He said it made a huge increase in his credit limit, and he could never have afforded to pay this money back.

## What happened

Barclays has recently conducted a review of a number of its customers' cards, because in some cases it set the credit limit higher than it should've been. It wrote to Mr P and asked him to contact it about this. But then when he did so, Barclays said that in his case, it didn't think it had done anything wrong.

Mr P still thought it was irresponsible for Barclays to offer him a very large increase to his credit limit. He said he couldn't afford to pay it back, and Barclays should've known that. He said he didn't think it was his fault, for accepting the offer, when he needed money. He wanted Barclays to take some money off his bill now, by removing the interest he'd been charged. And he wanted Barclays to accept that it was responsible.

Barclays told us it had increased Mr P's credit limit twice, from the initial lending of £2,000. It had increased his limit to £6,000 in May 2015, and then from £6,000 to £6,500 in January 2016. But Barclays said it had checked each time, and the data it had said Mr P should be able to afford these increases. Barclays didn't think it had done anything wrong, and it wouldn't pay back any of the interest Mr P had paid.

In 2017, Mr P notified Barclays that he was in financial difficulties. Barclays' notes from the time say this was because Mr P had lost his job. Mr P's last payment was made in September 2017, and Barclays sold this account in November 2018.

Mr P told us more about his circumstances at the time. He said he was working part-time, and earned £9,000 per year. He showed us his bank statements from around the time of the first increase, which showed that he was living in his overdraft.

Our investigator thought this complaint should be upheld. He said Barclays knew that Mr P earned £9,000 a year, and had rented at his then address for 12 years. Our investigator said that when Barclays increased Mr P's credit limit, it had to make a reasonable and proportionate assessment of his ability to repay the debt in a sustainable manner. And those checks had to be "*borrower focused*". Our investigator didn't think Barclays had carried out adequate borrower focused checks.

Our investigator said that before Barclays increased Mr P's limit, he wasn't using his full credit limit, and he paid at least the minimum. But he rarely paid much more, and his balance wasn't decreasing. The increase was significant - three times what Mr P had before. Barclays knew Mr P only earned £9,000 per year.

Our investigator said that Barclays should've done a more comprehensive income and expenditure assessment, including a review of Mr P's current account statements. Our

investigator said he'd seen those statements, and he thought that if Barclays had done more in-depth checks, it wouldn't have lent more money to Mr P.

Our investigator said that meant Barclays should -

- Refund interest and charges applicable to any balance greater than £2,000 applied after 19 May 2015. Any refund given should be used to reduce Mr P's outstanding balance.
- Check for any periods when Mr P's payments would have been enough to clear his balance, and if this is the case, it should pay 8% annual simple interest on any periods he would have been in credit up until the date he would have owed money on his credit card account again.
- Remove any adverse information reported to Mr P's credit file following the credit limit increase on 19 May 2015.

Barclays didn't agree. It said Mr P lost his job in 2017, and that's when he stopped paying off the card debt. So Barclays said it was this change in his personal circumstances which led to Mr P's financial difficulties, not its lending decisions. Barclays said Mr P was managing this debt before his job loss. But Mr P said he didn't lose his job in 2017.

Because no agreement was reached, this case was passed to me for 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.

I've reached the same overall conclusion on this complaint as our investigator.

Our investigator set out that Barclays needed to check that its increased lending would be affordable for Mr P. And he explained that these checks needed to be borrower focussed.

Barclays has shown us that it used information from credit reference agencies ("CRAs") to decide that Mr P was extremely unlikely to default on this debt. But it doesn't appear to have compared the information that was supplied to it by the CRAs, with what it already knew about Mr P – in particular that he had an annual income of only £9,000, out of which he had to pay rent, as well as living expenses.

I think if Barclays had reviewed all the information it held about Mr P, including what he told Barclays when he applied for the card, before it offered him a credit limit increase, it ought to have reached the view that it needed to do more detailed checks, to be sure that this lending was affordable for him. It didn't do that. I don't think that Barclays has shown us that it had done enough to decide the lending it made to Mr P, when it increased his limit from £2,000 to £6,000, was going to be affordable for him.

Barclays has argued that Mr P was managing this debt, and it said that it was only when Mr P lost his job in 2017 that he stopped paying. Mr P has said he didn't lose his job, but I can see that Barclays' notes show he said he had, then. I don't think I need to find out what really happened at this time, because I think it was already clear that Mr P wasn't managing this debt.

Mr P's statements, after his credit limit increase, do not show that he was able to pay off this debt within a reasonable timescale. Instead, the overwhelming majority of his statements show him sliding very slowly further into debt. I can see he managed to make one large lump

sum payment on the statement dated 23 October 2015, but this was clearly a one-off. Aside from that payment, his statements show that he just got deeper and deeper into debt until he stopped paying in 2017.

I don't think that Barclays can reasonably suggest that Mr P was managing this debt after it increased his credit limit, or that the conduct of this account shows that the lending was affordable for Mr P.

For those reasons, I agree with the proposal our investigator made. I think that Barclays should –

- Refund interest and charges applicable to any balance greater than £2,000 applied after 19 May 2015. Any refund given should be used to reduce Mr P's outstanding balance.
- After this refund is applied, check for any periods when Mr P's payments would have been enough to clear his balance, and if this is the case, pay 8% annual simple interest on any periods he would have been in credit up until the date he would have owed money on his credit card account again.
- Remove any adverse information reported to Mr P's credit file following the credit limit increase on 19 May 2015.

Barclays has told us that it sold this debt in 2018. If Barclays needs to buy back this debt to implement this award, then it should do so.

### **My final decision**

My decision is that Barclays Bank UK PLC trading as Barclaycard must –

- Refund interest and charges applicable to any balance greater than £2,000 applied after 19 May 2015. Any refund given should be used to reduce Mr P's outstanding balance.
- After this refund is applied, check for any periods when Mr P's payments would have been enough to clear his balance, and if this is the case, pay 8% annual simple interest on any periods he would have been in credit up until the date he would have owed money on his credit card account again.
- Remove any adverse information reported to Mr P's credit file following the credit limit increase on 19 May 2015.

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

Esther Absalom-Gough  
**Ombudsman**