

The complaint

Mr J complains that Barclays Bank UK PLC trading as Barclaycard (Barclaycard) lent to him irresponsibly.

What happened

Mr J had a Barclaycard since 2011. There were a number of limit increases as follows:

Date	Limit
September 2011	£3000
February 2012	£5000
September 2012	£7400
April 2013	£9400
October 2015	£13400

In April 2017, Barclaycard sent Mr J a Notice of Default with the balance £13143.96 debit. In December 2017, the debt was defaulted and sold to a debt collection agency (DCA).

Mr J complains that he shouldn't have been given the increases in limits. Barclaycard couldn't have done the necessary checks. In September 2020, he had a letter from Barclaycard which said they'd made a mistake in increasing some customers' limits – and paid him a refund of interest and fees of £83.88. They also offered compensation of £75. – which Mr J hasn't accepted. He now can't get credit because of the default on his records.

Barclaycard said they could only look at the last increase in limit (to £13400 in October 2015) because they could only look at events within the last six years. But looking at that increase, they'd lent responsibly. Mr J passed their credit checks, including their internal data and information from credit reference agencies. This gave them a picture of Mr J's affordability, income, credit commitments, housing costs and disposable income.

Mr J brought his complaint to us. Our investigator said Barclaycard didn't act fairly when increasing Mr J's limit to £13400 in October 2015. Barclaycard told her that Mr J had passed their checks, but she could see that their data showed that Mr J was rated 'amber' at the time of the increase – which said it was only 'potentially affordable'. He had other debts of £29185, plus a mortgage of £85232. She could see from Mr J's credit report that he had five unsecured loan facilities. She looked at Mr J's bank statements – this showed his income of £1255 a month – so things were tight when his credit commitments were considered. She said Barclaycard should refund interest and fees on borrowing over £9400 since October 2015, (and add 8% per annum simple in the event of any overpayment), remove default markers from Mr J's credit file and buy back the debt from the DCA. Also, they should pay

compensation of £100.

Mr J didn't agree. He said Barclaycard should write off 50% of the debt. And - £100 wasn't enough.

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.

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 point from which the complainant ought reasonably to have been aware they had cause to complain. And as Mr J complained to Barclaycard in November 2020 – we can only consider the last increase in limit to £13400 – in October 2015.

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, and the lower the amount, then fewer checks can be made. In the case of Mr J – I consider a limit of £13400 for a personal customer to be substantial, and so Barclaycard's checks should've reflected that.

Barclaycard wrote to some customers, including Mr J, in September 2020 to say that in some cases, their checks hadn't been appropriate. But – they told us that they took a 'blanket' approach, and just because Mr J got a letter and a refund of £83.88 – it didn't mean that they'd lent to him irresponsibly. Barclaycard told us that Mr J passed their checks at the time. I can see that – but that doesn't mean that they lent responsibly, especially for a limit of £13400. I can see that in Barclaycard's analysis, Mr J was rated 'amber - potentially affordable' – rather than 'green'. So – this flagged that more checks should've been done. We asked Barclaycard if they'd checked Mr J's income – and they told us that was considered as part of their CRA data. But I'm not sure that was enough in this case. I can see that Barclaycard's data also shows that Mr J had other debts of £29185 at the time – this was high. And looking at Mr J's credit report, he did have several other credit agreements running – albeit they were largely paid up to date. But there were also two loan agreements running with a debt management company – which implied that he was in difficulties.

Equally, on the other side of the coin, I can see that Mr J was making the minimum payments to his Barclaycard account in the six months before the increase – and indeed, paid off the account completely in May 2015 – before drawing on the limit again later. Mr J told us that this was because he sold his house to repay Barclaycard – but Barclaycard weren't to know this. And – when Barclaycard offered him the increase, Mr J could've opted out of it, but he didn't. So – I must take this into account when reaching a final decision.

But, in the circumstances of this case, I think Barclaycard should've completed more checks to ensure they were lending up to £13400 responsibly.

And so – Mr J must be put back in the position he was in before the limit was increased. He says he believes that Barclaycard should write off 50% of the debt. This isn't something this service would normally agree to – as he has had the use of the money lent to him. But Barclaycard should: refund interest and fees on the borrowing over £13400 from October 2015, and if a credit balance results, pay 8% per annum simple from the date of overpayment (Barclaycard have told us the refund will be £809.77 – so this won't apply). They should also remove any adverse data from Mr J's credit file since October 2015; and buy back the debt from the DCA. And agree a mutually satisfactory repayment programme with Mr J. I've considered the matter of compensation. Mr J says it should be more than £100. But – on balance, I think this is in line with what this service would expect to see for what happened.

My final decision

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

- Refund all interest, fees and charges for borrowing above the limit of £9,400 from 21 October 2015 - and pay this towards the outstanding debt. If overpayment has been made, this should be refunded with 8% simple interest.
- Remove adverse entries on Mr J's credit file from October 2015
- Buy back the debt from the DCA and agree a mutually satisfactory repayment schedule with Mr J for the remaining balances
- Pay compensation of £100 for distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 13 October 2021.

Martin Lord
Ombudsman