

The complaint

Mrs F complains that Barclays Bank UK PLC trading as Barclaycard ("Barclays") acted irresponsibly when they increased her credit card limit in February 2015. Mrs F says the lending was unaffordable for her.

What happened

In March 2007 Mrs F took out a credit card with Barclays. According to Barclays records, Mrs F's credit card limit has been decreased on two occasions and increased on three occasions. The last increase was in February 2015 where Barclays increased Mrs F's credit limit from £3,000 to £6,000.

At the time of the limit increase in February 2015 Mrs F says that she was in financial difficulties as a result of excessive borrowing and gambling. In addition to this Mrs F says that since 2013 she's had to deal with a health issue which has required a number of surgeries and strong medication. Mrs F has said that her concentration levels have been affected significantly as a result of her medication and treatment.

In August 2020 Mrs F complained to Barclays about the management of her credit card account, and specifically the limit increase applied to her account in February 2015. Mrs F said it was irresponsible for Barclays to increase her limit, particularly in light of the amount of borrowing she had with different lenders and with her poor health.

On 16 September 2020, Barclays provided their final response to Mrs F complaint. Barclays didn't uphold her complaint. They explained that full affordability checks had been completed at the time of the limit increase, and so they felt that they had acted responsibly when they increased the credit limit.

Unhappy with their response, Mrs F brought her complaint to us. One of our investigators looked into Mrs F's concerns and upheld her complaint. He didn't think Barclays had acted fairly when they increased her credit limit in February 2015. However, he felt that Mrs F's credit file should reflect a defaulted balance of £3,000 to reflect her credit limit prior to the increase in February 2015.

Barclays accepted our investigator's view but disagreed with backdating the default, as they felt this would be an inaccurate representation of Mrs F's credit card account. Our investigator provided a second view in which he agreed with Barclays amendment and advised that in relation to the credit file, the default should remain as it was, but the balance should be amended to what it would be without the added interest.

Mrs F disagreed and felt that her credit file should reflect what her balance was in February 2015 with no default. Mrs F felt that had she not been lent the money from any lenders her defaults would not have been in place. Mrs F also advised that she wished to complain about the entire handling of her credit card and all the limit increases that took place.

Our investigator's view remained unchanged, so Mrs F has asked that her complaint be referred to an ombudsman 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 considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

In her response to our Investigator's view, having reviewed her bank statements and credit file from 2013, Mrs F said that she now wished for us to consider her credit card account in its entirety including the earlier limit increases.

In this decision, I've focused on Mrs F's complaint about the credit limit increase made by Barclays in February 2015 and Mrs F's dispute about how the credit file should be amended, following our investigator's view.

In May 2021 Barclays explained in their summary to us, that they only considered the complaint about the limit increase in February 2015. They said that they didn't consent to us looking into the earlier activity on Mrs F's credit card, because Mrs F hadn't complained about it in time and so it would fall outside of our jurisdiction.

I recognise Mrs F is unhappy with the earlier activity on her credit card account and feels that Barclays hadn't acted fairly towards her. However, in the circumstances, I think Barclays should be given the opportunity to respond to any other concerns about the handling or management of her credit card in the first instance. And if Mrs F remains unhappy following Barclays response, she may decide to bring her concerns to us where we'll look to see if it's something, we can look into for her.

In considering what is fair and reasonable, I've thought about all the evidence and information provided afresh and the relevant law and regulations, regulators' rules, guidance and standards, codes of practice and (where appropriate) what I consider to have been good industry practice at the relevant time.

The Consumer Credit Sourcebook (CONC), which can be found within the Financial Conduct Authority (FCA) handbook, explained in 2015 that a business must carry out a creditworthiness assessment before lending to a consumer. A creditworthiness assessment involves a review of a consumer's credit history, the consumer's ability to afford any new repayments, their ability to maintain future repayments and any impact that the lending may have on them. It went on to say the assessment must be based on enough information taken from:

- *the customer, where appropriate; and*
- *a credit reference agency, where necessary*

Having reviewed the information from both parties I'm in agreement with our investigator. I don't think Barclays carried out the necessary reasonable and proportionate checks to assess Mrs F's ability to repay the increased limit. The conduct of Mrs F's credit card account in the lead up to the increase should have given Barclays reason to carry out further checks. For example, being close to the credit limit and making mostly minimum payments. Barclays could have reviewed Mrs F's bank statements or make contact with her to discuss and establish her current circumstances. It's likely that had they done so they would have discovered the limit increase was not in Mrs F's interest.

However, as both parties have agreed on this part of the complaint, and my reasoning

reflects that of our investigator's, in relation to this element of the complaint, I've not addressed it any further in my decision.

Putting things right

Given that I've found that Barclays didn't lend responsibly when they increased Mrs F's credit limit, I think they need to put things right for her.

In the circumstances of Mrs F's complaint, I'm not persuaded that putting her back in the position that she would have been, had she not borrowed the money from Barclays is entirely reasonable or fair. I say this because the money was borrowed by Mrs F, and so I don't find it entirely unjust that Mrs F is expected to repay it. Having said that, I also don't think it's fair for Barclays to earn interest or charge fees on the amount lent either. So, I've thought about what the most reasonable approach is to reach a fair resolution.

I'll be instructing Barclays to refund to Mrs F's credit card account all interest, charges and fees applied on balances over £3,000 from February 2015, which will include any late or missed payments or fees charged in relation to the limit being over £3,000. They will also need to freeze any future interest, charges or fees that would be applied for the balance being in excess of £3,000. I think this fairly reflects that the money was borrowed so should be repaid, but without allowing Barclays to benefit financially from their lending in this instance.

According to the letter of default sent to Mrs F in August 2017, a repayment plan of around £25 per month was in place for Mrs F to repay the balance. It's unclear if this plan is still in place or if it's been reviewed. So, in the circumstances I'll be instructing Barclays to arrange an affordable and sustainable repayment plan with Mrs F to enable her to repay the credit card balance.

I acknowledge there remains a dispute over what action Barclays should take in relation to Mrs F's credit file. Barclays believe it should remain unchanged to reflect what has actually happened; however, Mrs F disagrees and believes Barclays should backdate the default to February 2015, as initially recommended by our investigator, given her circumstances and financial history.

I've considered what has been said by both parties however, given the circumstances I think the fairest outcome is to keep the default as it is. I think Mrs F's credit file should accurately reflect what has taken place. That Mrs F borrowed from Barclays, and that a default occurred when it did. So, I won't be instructing Barclays to take any action in relation to the default on Mrs F's credit file.

I think this is fair in the circumstances because Mrs F's credit file should accurately reflect the circumstances of her credit card account. I acknowledge that Mrs F has raised concerns over Barclays' earlier actions in connection to this current complaint. However as mentioned above, Mrs F should allow Barclays a fair opportunity to respond to her about those earlier events in the first instance.

I recognise this has been a difficult time for Mrs F. Mrs F has said she's managed to address her financial difficulties with other lenders. And has managed to get her gambling under control, with her credit score improving and debt levels reducing. I trust Mrs F is aware of the free advice that remains available to her through various organisations like Step Change or National Debtline.

My final decision

Having thought about everything above, along with what is fair and reasonable in the circumstances, I uphold this complaint and instruct Barclays Bank UK PLC trading as Barclaycard to:

- Refund all interest on balances charged over £3,000
- Refund any late/missed payment or over limit fees applied after the limit increase in February 2015
- Ensure an affordable and sustainable repayment plan is arranged with Mrs F for the outstanding balance.

Barclays Bank UK PLC trading as Barclaycard should pay 8% yearly simple interest on all refunds calculated from the date of payment to the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs F to accept or reject my decision before 28 January 2022.

Benjamin John
Ombudsman