

The complaint

Mr P complains about Barclays Bank UK PLC trading as Barclaycard and their decision to approve his credit card application and subsequent credit limit increases.

What happened

Mr P applied for a credit card account with Barclays in July 2013. This application was approved and Mr P was given an initial credit limit of £7,600. Mr P's credit limit was increased to £9,100 in March 2015 and again to £10,600 in October 2016. From 2017, Barclays started to reduce Mr P's limit to its final total of £3,850.

In 2018, Mr P started experiencing financial difficulty. He made Barclays aware of this and to recognise this, Barclays provided Mr P with several interest and fee refunds, interest stops and re-installation of promotional balances. They also asked that Mr P speak to their dedicated financial difficulties team.

Mr P contacted Barclays again in 2020 and he was asked to contact the financial difficulties team. And in July 2020, Barclays issued a letter to its customers explaining they'd reviewed customers accounts and recognised some customers had been lent to irresponsibly. But they didn't think Mr P was one of those.

But Mr P was unhappy about this so he raised a complaint. Mr P thought the credit limit he'd been provided was too high which had made it difficult for him to maintain his minimum monthly payment. He thought this had contributed to his financial difficulties. Mr P also explained he'd used his account to fund his gambling addiction and thought Barclays should've realised this and taken action to prevent it. So, Mr P was the interest and charges applied to his account to be refunded to him.

Barclays responded and upheld Mr P's complaint in part. They thought their decision to approve Mr P's credit card account was fair. And they thought the interest charges to the account was standard and made clear at this point. They also didn't think they should've been able to recognise Mr P's gambling addiction through the transactions he'd made. But they did think they may have set Mr P's credit limit too high and offered Mr P £75 to recognise the inconvenience this caused. And they invited Mr P to speak to their financial difficulties team to look at repayment options moving forward. Mr P remained unhappy with this response, so he referred his complaint to us.

Initially, Barclays didn't consent to our service looking at their initial decision to lend to Mr P as it happened more than six years before Mr P contacted our service. But our investigator thought we should consider it, as Mr P had raised his complaint within three years of when he ought to have been reasonably aware he had cause to complain. Barclays accepted this and our investigator continued to look into the whole lifetime of the account.

And having done so, our investigator upheld the complaint. They thought the checks Barclays completed when initially lending to Mr P in 2013 were fair. And they didn't think there was information available at the time that should've suggested to Barclays that the account, and the limit of £7,600, was unaffordable. So, they didn't think Barclays had done

anything wrong at this point.

But our investigator didn't think Barclays had completed proportionate checks before increasing Mr P's credit limit in both 2015 and 2016. And our investigator thought if Barclays had completed proportionate checks, they would've realised the increases were unaffordable for Mr P. So, our investigator thought Barclays should refund Mr P any interest and charges, that hadn't already been refunded, that were applied to his account after March 2015 on any balance over the initial credit limit of £7,600. If this left a capital refund owing to Mr P, our investigator thought this should also include 8% statutory interest. They also thought any negative information should be removed from Mr P's credit file from March 2015. And finally, they thought Barclays should pay Mr P an additional £125 to recognise the upset and inconvenience he'd been caused.

Both Mr P and Barclays accepted this recommendation. But Mr P disputed the refund he'd been provided by Barclays when they followed our investigator's outcome. Mr P thought the remedy recommended was directing Barclays to refund any interest applied to his account from March 2015. But our investigator explained only the interest charged on balances over £7,600 should be refunded as they thought Barclays initial decision to lend, and the associated limit, was fair. Mr P didn't think this was fair and didn't taking into consideration the impact his account with Barclays had on his financial situation and the distress this caused. As Mr P wasn't happy with this, the complaint has been referred to me for a 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.

Having done so, I'm upholding the complaint for broadly the same reasons as the investigator. I've focused my comments on what I think is relevant. If I haven't commented on any specific point, it's because I don't believe it's affected what I think is the right outcome.

First, I want to recognise the impact this complaint has had on Mr P. I don't dispute Mr P's testimony that the account had a significant impact on his financial situation. And I recognise how difficult it would've been for Mr P to maintain his financial commitments while he was experiencing difficulty and the upset and worry this would've caused. I also appreciate this would've been made worse by Mr P's gambling addiction and how hard it would've been to recognise and overcome this. So, I can understand why Mr P attributes much of this suffering to Barclays and the account they provided and the credit limits they set.

I'm aware both Mr P and Barclays accepted our investigators view that, while Barclays initial decision to lend was fair, their decision to increase Mr P's credit limit in both March 2015 and October 2016 wasn't. As this has been accepted by both parties, I don't intend to discuss this further.

Instead, I've considered the main dispute which in this case is the way in which Barclays have calculated the interest refund when following our investigator's recommendation. Mr P doesn't think it's reasonable for Barclays to only refund the interest applied to his account on balances over £7,600, the initial credit limit he was provided in 2013. Mr P thinks all interest applied to his account from March 2015 should be refunded in order to recognise the financial impact the account had on his situation and the upset this caused.

Putting things right

Any direction or award I make is intended to place Mr P back in the position he would've been, had Barclays acted reasonably in the first place. I'm unable to place Mr P in a position of betterment as that isn't something this service can do.

In this situation, if Barclays had acted reasonably, they would've completed further checks before deciding to increase Mr P's credit limit. And if they'd done so, I'm satisfied the information these checks would've provided would've shown to Barclays that the limit increases were unaffordable. So, if Barclays had acted reasonably, I don't think Mr P's credit limit would've been increased from the initial £7,600 limit he was given.

So, in order to place Mr P back in the position would've been in, I think Barclays should refund any interest and charges applied to his account on any balance over £7,600 from March 2015, when the first increase was applied. This doesn't include any interest or charges that have already been refunded. And I think they should add 8% statutory interest to any capital refund Mr P is owed from the date the interest was paid to the date of refund.

I'm unable to say that *any* interest and charges should be refunded from this date, as it's already been accepted by both parties that Barclays initial decision to lend was fair. So, Mr P would've always had an available credit limit of £7,600 and any outstanding balance up to this limit would've always incurred interest and charges, in line with the terms and conditions of the agreement and any promotional interest rates that were in place. So, while I recognise Mr P's comments about the impact the account and its balance had on his finances and personal situation, I think it's only the balance over £7,600 that Barclays lent irresponsibly and so, only that amount that should be considered when refunding the interest and charges.

I also think Barclays should remove any negative credit information reported to Mr P's credit file from March 2015. This is because their failure to lend to Mr P responsibly left him with an unaffordable amount of credit which he struggled to maintain. Had Barclays acted fairly, I don't think Mr P would've been placed in this position.

Our investigator also recommended Barclays pay Mr P an additional £125 to recognise the upset Mr P was caused by their irresponsible lending. I think this recommendation is a fair one, and in line with what I would've awarded had it not already been suggested. I think it fairly recognises the difficulties Mr P faced when trying to maintain the monthly payments of a credit limit higher than he could reasonably afford. But also takes into consideration the actions Barclays took during 2018 when Mr P made them aware he was facing these difficulties and Barclays offer to Mr P of contacting and working with their financial difficulties team.

I understand this isn't the whole outcome Mr P was hoping for. But I hope it explains clearly why I think Barclays have acted reasonably, following our recommendations, when calculating the refund owed to Mr P.

My final decision

For the reasons outlined above, I uphold Mr P's complaint about Barclays Bank UK PLC trading as Barclaycard and I direct them to take the following action:

- Refund any interest and charges applied to Mr P's account (that haven't already been refunded) after 2015 that relate to any balance over £7,600;
- If this results in Mr P being owed a capital refund, add 8% statutory interest from the date the interest and charges were paid to the date of refund;

- Remove any adverse information from Mr P's credit file reported after March 2015; and
- Pay Mr P £125 to recognise the upset he's been caused by Barclays decision to increase his credit limits.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 21 December 2021.

Josh Haskey
Ombudsman