

## **The complaint**

Mrs L complains that Barclays Bank UK PLC irresponsibly allowed her to take out a number of loans which were unaffordable.

## **What happened**

Mrs L says Barclays knew she had health issues as she told it about them in around 1994. She says she took out a series of loans which Barclays ought to have known were unaffordable as she banked with it. Mrs L says as a result of her debts she became homeless and would like the loan balances written off and compensation for what took place.

Barclays says Mrs L took out six loans in total and has reviewed all of them. It says it may not have approved the last three and so has agreed to refund any interest and charges on them. Barclays says it carried out appropriate checks on the first three loans and says they were affordable. It says the first two loans were repaid without issue and that problems with the third loan may have been caused by Mrs L losing her job some years later.

Mrs L brought her complaint to us and our investigator thought the first three loans affordable and that Barclays carried out appropriate checks on them. The investigator thought Mrs L was left with a disposable income after expenditure was deducted of between around £200 on loans two and three and just over £700 on loan one. The investigator recommended Barclays arrange a repayment plan with Mrs L in respect of the other loans and that it should remove any adverse information from her credit file. He also recommended Barclays pay interest on any refund due to Mrs L.

Mrs L doesn't accept that view and says Barclays hasn't considered her spending habits or her existing credit. She says she was left with under £30 a month to live on and was made homeless.

Barclays has agreed with the investigator's view but says it has calculated that there would be no overpayment due to Mrs L to pay interest on.

I asked both sides for further information and asked Mrs L for her credit file as well as details about her income and expenditure as I didn't think it clear why she said she had less than £30 a month to live on at the time of the loans. Mrs L has provided us with her credit file and says she didn't have any disposable income.

## **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 have come to the overall view that Barclays carried out appropriate checks on loans 1,2 and 3 and has fairly agreed to refund charges and interest on the other loans. I appreciate Mrs L will be disappointed by my decision.

Lenders and credit providers should carry out reasonable and proportionate checks on any

credit or loan application. Those checks will of course vary depending on the type and amount of that lending and the relationship between the parties.

There is no question here that Barclays has said that with the benefit of hindsight it may not have approved the last three loans and has fairly agreed to refund Mrs L any interest and charges on them. I'm satisfied that Barclays must put Mrs L back in the position she would have been in if that lending hadn't been approved and that must mean agreeing an affordable repayment plan with her which should not attract interest. Barclays should as it has agreed to do amend Mrs L's credit file. I'm satisfied that Mrs L had the benefit of the lending and it would be unfair to order Barclays write off the balance in those circumstances. I'm also satisfied that Barclays has fairly calculated that when interest and charges are refunded then there wouldn't be an actual refund owed to Mrs L (as the amount would reduce the balance owed) and so I accept in those circumstances that it should not add interest to any refund.

The key part of this complaint is the first three loans. I appreciate Mrs L says that Barclays was told in around 1994 about her health issues but equally I can see Mrs L was working at the time of the loans and think that health information from that time period wouldn't have prevented Barclays lending to her.

I have looked carefully at the information both parties have provided. I'm satisfied that Mrs L applied for loan 1 in January 2017 for £2,000 and declared an income of just over £1,800 a month. I can see that Barclays carried out affordability checks on the application and calculated a monthly disposable income after considering Mrs L's expenditure. The disposable income was calculated at just over £700 and the loan repayment was just over £84. I can see that Mrs L made all of the required repayments and repaid the loan early no doubt using part of loan 2. So, I'm satisfied that Barclays carried out reasonable and proportionate checks on loan 1 and that it was affordable. I also think that Mrs L made all required payments which provides additional evidence that this loan was affordable.

Loan 2 was taken out in December 2017 for £3,900 and part of it was used it appears to repay loan 1. I can see that Barclays checked the affordability of the loan by calculating Mrs L's income and expenditure and that she was left with over £200 a month in disposable income. I accept this figure had fallen but think the payment of just over £105 a month was affordable. I can see Mrs L made all required repayments and repaid the loan early, again no doubt using loan 3 to do so. It follows that I'm satisfied Barclays carried out reasonable and proportionate checks on loan 2 and that the lending was unaffordable. Again, I think that Mrs L's account management of this loan provides additional evidence that it was affordable.

Loan 3 was taken out in September 2018 for £5,800. Having looked at Barclays records I can see affordability checks were carried out and that it calculated Mrs L's disposable income at over £200. I can also see that the loan purpose was for debt consolidation and to reduce a credit card account balance on which the interest rate was far higher. Again, I can see that for some significant time after the loan was taken out that Mrs L made required payments of just over £120 a month which I think provides evidence that at the time, in 2018, the loan was affordable.

I'm satisfied that Barclays carried out reasonable and proportionate checks on each of three loans and that they were on the face of it affordable. I have also looked at Mrs L's credit file and I can't see any adverse information on it that would have altered Barclays to any affordability issues such as defaults or County Court Judgements. I can see that on the face of it, Mrs L's credit file showed well managed accounts. It is for that reason I asked Mrs L to explain in more detail why she says the loans were unaffordable when it seemed her income was greater than her main expenses. I appreciate Mrs L's work situation may have changed in 2020 but that is not something I can consider, as these loans were taken out some years

before.

Overall, I'm satisfied that loans 1,2 and 3 were affordable and that Barclays carried out appropriate checks on them. I can't see what other checks Barclays could have carried out or what those checks could have revealed that would have led it to conclude the loans were unaffordable. It follows that I can't fairly order Barclays do anything in respect of them. I make clear to Mrs L that even if I thought the loans were irresponsibly approved then I would not have ordered that they be written off as Mrs L would like, as clearly, she has had the benefit of that money.

### **Putting things right**

Barclays accepts loans 4 to 6 should not have been approved. It should refund interest and charges as well as agree an affordable repayment plan with Mrs L. I can see that Mrs L is not due a refund after the charges and interest are deducted and so I don't need to order interest be paid on that refund but Mrs L's credit file must be updated in the light of this decision.

### **My final decision**

My final decision is that I uphold this complaint in part. I order Barclays Bank UK PLC to refund charges and interest on the loans it accepts it shouldn't have approved and deduct that amount from the balances owed by Mrs L. I also order it to agree an affordable repayment plan with Mrs L and update her credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs L to accept or reject my decision before 26 May 2022.

David Singh  
**Ombudsman**