

The complaint

Mr W complains that Barclays Bank UK PLC trading as Barclaycard gave him a credit card with a limit of £800 without carrying out adequate checks.

What happened

In April 2016, Barclaycard gave Mr W a credit card with a limit of £800. He considers that it didn't carry out adequate checks into his income, expenditure and circumstances. He said if Barclaycard had done so it would have seen that he'd taken many pay day loans and that he was gambling excessively.

Mr W said his financial situation was made worse by the credit card. He said that he had to repay the balance by a payment plan and this has added to his debts and caused him anxiety.

I issued a provisional decision. I said that, subject to any more comments and evidence, I intended to uphold the complaint. My provisional findings form part of this decision. They were:

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Barclaycard was required to carry out reasonable and proportionate checks that Mr W would be able to repay the credit card in a sustainable way.

Barclaycard said it assessed affordability using the income Mr W declared on the application and verified this against his bank statements. The net income over just over £1,000 a month. It said that it used information from Mr W's credit file to see what his outgoings were – and considered they were around £330, leaving a disposable income of £599.75 after taking into account cost of living expenses.

But what Barclaycard has told us can't be correct. That is because Mr W did not have all of his income paid into his Barclays' bank account – only part of it. So either Barclays did not follow its policy (if it had it would not have been able to verify Mr W's declared income) or Barclays has given us incorrect information about what its policy was.

Barclays said that based on the information on his credit file and assumption it made about his cost of living, it took Mr W's outgoings to be around £330 a month. That includes the total of his fixed commitments on the credit file of £252 plus existing credit card balances of £668 with minimum payments of around £20 a month. I'd note that it is not clear to me that using the minimum payments on existing credit cards is a reasonable way to assess that any lending was affordable in a sustainable way. But the credit file also shows three open mobile phone accounts. The cost of that was not taken into account. I can't see that there were any pay day loans showing on the credit file.

The credit file also shows that Mr W had defaulted on six agreements between May 2014 and January 2015. Only one of the defaults shows a balance and that was under £600.

I consider that Barclaycard ought to have had concerns about the sustainability of offering Mr W a credit card with a limit of £800 based on the information it had. I say that as he had a track record of defaulting before taking out this credit card. And we know that was on a relatively low balance on at least one account. So based on the information available to Barclaycard it ought to have had concerns about whether Mr W could actually afford to repay any credit it offered him. So I think that the checks Barclaycard carried out weren't reasonable or proportionate bearing in mind what it knew about Mr W.

Barclaycard knew that Mr W had experienced financial difficulty before he applied for this credit card. Bearing in mind that Barclaycard understood that Mr W had disposable income of around £600 a month, a reasonable lender would have wanted to make sure that any new lending was actually affordable. I don't think the information it had supported that making assumptions about Mr W's income and expenditure was reasonable in the circumstances of this case. So I think that Barclaycard ought to have asked Mr W for more information about his income and expenditure.

Mr W said that his actual net income at the time in question was around £1,100 a month and his outgoings were slightly more than that. His main bank statements (not with Barclays) show fixed outgoings (utilities, insurance, mobile phones etc) of £426.85.

Mr W's Barclays' bank statements also show that he was regularly using pay day loans to supplement his income and was gambling a significant amount of his income. The repayments he was making to pay day loans were around £100 a month in the months preceding the credit card. We can also see payment of a service charge of £168.50. Mr W said this was £45 a month.

If we add the outgoings showing on Mr W's statements with another bank (£426.85), outgoings with Barclays around £145 a month, credit commitments (£330) and Barclays' assumptions about cost of living (£135 – although Mr W said his actual costs were higher) that makes a total of over £1,000. That makes affordability marginal at best. And that is based on Mr W making only minimum payments to his credit card.

Barclaycard has pointed out that Mr W's gambling was affordable. But it has failed to take into account that his income was supplemented with pay day loans. Overall, I think if Barclays had carried out reasonable and proportionate checks it could not have reasonably considered that any credit limit was affordable and sustainable.

I therefore need to put Mr W back in the position he would have been in had Barclays acted fairly and reasonably. Mr W has had the benefit of the money lent to him. So I don't think that should be refunded. But if Barclaycard had not given him the credit card, he would not have had to pay any interest and charges. So they should be refunded.

I understand Mr W has paid back all of the amount borrowed and any interest and charges. Barclaycard should refund the total amount Mr W paid towards his credit card over the term, with interest

Barclaycard should also remove any record of the credit card from Mr W's credit file.

It's clear that Barclaycard put Mr W in a difficult position. While he was in debt and had a gambling problem, Barclaycard's unreasonable lending decision added to that. I accept that Mr W will have been caused distress and inconvenience. And he tells us that it added to his anxiety I consider Barclaycard should pay Mr W £150.

I proposed that Barclaycard should:

- Refund all of the interest and charges it applied to Mr W's credit card.
- Pay interest at 8% simple per year from the date of any payment of interest until date of settlement.
- Remove any record of the credit card account from Mr W's credit file.
- Pay Mr W £150 for any distress and inconvenience

Mr W accepted my provisional decision. Barclaycard did not respond.

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 haven't had any new comments or evidence in response to my provisional decision. So I can't see any reason to reach a different decision.

Barclaycard either didn't follow its own policy in checking Mr W's bank statements or it had given us incorrect information about what its policy was. In any event, it ought to have had concerns about the affordability and sustainability of the credit card if it had reasonably assessed the information it had. In particular it did not take into account Mr W's payments for mobile phones that appeared on his credit file or his recent poor payment history.

It would have been proportionate for Barclaycard to ask for more information about his income and expenditure and checked Mr W's bank statements. They showed that he was gambling and supplementing his income using pay day loans. Looking at his actual outgoings, affordability was marginal at best assuming Mr W only paid the minimum payment on all his credit cards – and that was not a sustainable basis on which to give Mr W a new credit card with a limit of £800 in the individual circumstances of this complaint.

I think if Barclaycard had carried out reasonable and proportionate checks it could not have reasonably considered that any credit limit was affordable and sustainable. So I consider it would be fair and reasonable for it to put Mr W in the position he would have been in had he not taken the credit card. Barclaycard should also pay him £150 for the distress and inconvenience this caused him – adding to his debt and causing him anxiety.

My final decision

My final decision is that Barclays Bank Plc trading as Barclaycard should:

- Refund all of the interest and charges it applied to Mr W's credit card.
- Pay interest at 8% simple per year from the date of any payment of interest until date of settlement.
- Remove any record of the credit card account from Mr W's credit file.
- Pay Mr W £150 for any distress and inconvenience

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 22 February 2022.

Ken Rose

Ombudsman