

## **The complaint**

Miss C complains that Barclays Bank UK PLC trading as Barclaycard and increased the limit on her credit card without adequately checking that she could afford the repayments. She further complains that Barclays refused to write off any part of the debt due to her medical issues.

## **What happened**

Miss C had had a credit card with Barclays since 1984. In 2016 she started having problems with her physical and mental health. Between 2016 and 2019 she was receiving hospital treatment, and was diagnosed with a further condition in 2019 impacting her ability to work fully. She says this affected her ability to make spending and budgeting decisions.

During this time her credit card balance increased from zero in mid-2016 to £11,100 by September 2019. She says her income went down over this period. By this time she had contacted a debt advice charity to assist with her debt repayments. As a result the account was frozen and she went onto a repayment plan. I understand that the debt was sold to a third party in August 2022.

She contacted Barclays in April 2021 asking if it would write off all or part of the debt for medical reasons. She provided medical evidence. However Barclays said it couldn't write off all or any part of the debt although agreed the account would remain frozen and she could continue making payments through the advice charity. Miss C then further complained that due to her medical condition her spending pattern became unexpected and out of character and Barclays should have noticed this. However it increased the limit on her card three times, in October 2016, April 2018 and December 2018.

Barclays said the credit limit was raised but that her account was kept in good order with no missed payments. In November 2020 It wrote to her to advise that the credit limit, following a review, had been raised higher than it should have been, and paid her compensation of £75. I understand that this was done following a review of its procedures and all account holders with credit limit increases during the period 2014 to 2020 were contacted. This didn't mean they all had unaffordable increases imposed as it took a blanket approach.

Miss C has supplied a credit report as of November 2021.

On referral to the Financial Ombudsman our investigator said that although the first credit limit increase appeared to be affordable he wasn't satisfied that Barclays had done proper checks before increasing the limit in April 2018 and December 2018.

Barclays disagreed and the matter has been passed to me for further consideration.

## **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.

Considering the relevant rules, guidance, and good industry practice, I think the questions I need to consider in deciding what's fair and reasonable in the circumstances of this complaint are:

- Did Barclays complete reasonable and proportionate checks to satisfy itself that Miss C would be able to repay the credit advanced in a sustainable way?
- If not, would those checks have shown that Miss C would have been able to do so?
- Bearing in mind the circumstances at the time of each application, was there a point where Barclays ought reasonably to have realised it was increasing Miss C's indebtedness in a way that was unsustainable or otherwise harmful and so shouldn't have provided further credit?

I have analysed all the statements on Miss C's Barclaycard account from January 2016 until September 2019 when it was frozen. All the increases in the credit limit were unsolicited. Miss C was given an opportunity to reject the increases though it is perhaps understandable why she didn't respond to any notices she received about them. The increases were then applied automatically. Barclays increased the credit limit three times as follows:

#### *first increase*

This was on 31 October 2016, from £5,700 to £7,200. This was also after her medical condition had been diagnosed and she started having treatment. At the time of this increase the balance on the account was £299 and during 2016 had been as low as £12. So there were no unusual payments nor any great increases in the balance. There was no indication from the account that she was struggling to make any payments. If Barclays had carried out any detailed check of Her income and financial circumstances it wouldn't have shown any problems with being able to afford the payments. Miss C hadn't told Barclays about her medical condition because she didn't feel the need to at the time.

Whilst observing that Miss C clearly didn't need her limit increased, I think Barclays made a fair decision in increasing the limit at this stage.

#### *second increase*

This was on 30 April 2018, from £7,200 to £8,200. Miss C's account balance had by now increased to £4,253, a substantial amount. But it was still well below the former limit, so the only effect of increasing it further would have been to encourage her to spend more. And whilst the spending pattern wasn't unusual in that the balance never jumped by large amounts, it was nevertheless steadily increasing by £3-£400 each month.

Barclays has told us that apart from checking the account was in good order i.e. no missed payments it didn't carry out any further checks. Instead it relied on a credit reference agency's "confidence factor" for individual consumers. This is an approximation of whether the consumer's income is enough to cover all of their outgoings as well as a measure of the likelihood the consumer will default on additional borrowing based on the profiles of customers from a similar background, locality, age and borrowing history. However it has confirmed that the agency didn't have an up-to-date figure for Miss C's income, relying instead on the figure from last time she had applied for any credit.

I think in light of the proposed increase and the quite sharp increases in the balances on the card, Barclays didn't carry out proportionate checks. What those checks would have revealed is difficult to say. I know that by October 2019 she had contacted the debt advice charity, and according to a budget drawn up for her in September 2021, she had very little

disposable income. According to her credit report created in November 2021, at the time she had another credit card, a store card and a bank overdraft, but I don't know whether, on pure pounds and pence calculation she would have been assessed at being able to afford the limit increase. This is bearing in mind that Barclays would have needed to anticipate that she would be using the entire limit, something she hadn't done until then.

But I bear in mind that this wasn't Miss C asking for further credit. And the evidence is that by this time she was severely affected by her medical condition and it's likely that her income wouldn't have increased very much, if at all, since 2016. I also bear in mind that over half her income came from tax credits and a disability living allowance/personal independence payment.

So I think it's likely that if Barclays had carried out further checks on Miss B's circumstances it wouldn't have increased the limit at this stage.

### *third increase*

This was on 31 December 2018, from £8,200 to £11,200. So far as I can see Barclays didn't carry out any checks for this apart from relying on the credit reference agency's "confidence factor". Yet by then her debt had increased in just eight months from £4,253 to £6,758. Looking at Barclays' chart of Miss C's account, I can see that the balance on it increased dramatically from the time of the first increase in October 2016, when it was £299. Yet Barclays thought it appropriate to increase the limit by another £3,000 in eight months, without checking further. And bearing in mind that by September 2019, the balance was £11,100, this seems to me to reinforce the point that increasing the credit limit on this account whilst the debt was rising sharply only served to encourage spending up to the limit.

I bear in mind again that the increase was unsolicited and applied automatically. I don't think it served Miss C's interests, and that had Barclays carried out more checks and reviewed the account more carefully, it wouldn't have increased the credit limit.

I've noted that Barclays said in November 2020 that its increases in credit limits were higher than they should have been. However as I note this was applied across the board to customers with unsolicited limit increases, I don't think any particular review was carried out of Miss C's case. So I won't take into account the compensation paid in this respect.

### *medical issues*

Miss C didn't tell Barclays about her medical issues until April 2021. I don't think it had any way of knowing about this before that date, I've noted that while the increase in spending was relevant to increasing the limit, I don't think there was anything which might have caused Barclays to contact Miss C about her spending. And whilst I understand that Miss C would like Barclays to write off the balance on medical grounds I don't think that there is sufficient evidence to persuade me that Barclays should do this.

### **Putting things right**

As I don't think Barclays should have increased Miss C's credit limit to £8,200 and then to £11,200, I don't think it's fair for it to charge any interest or charges on any balances which exceeded the £7,200 limit. However, Miss C has had the benefit of all the money she spent on the account so it's fair that she should pay this back. Therefore, Barclays should:

- Rework the account removing all interest and charges that have been applied to balances above £7,200.

- If the rework results in a credit balance, this should be refunded to Miss C along with 8% simple interest per year\* calculated from the date of each overpayment to the date of settlement. Barclays should also remove all adverse information recorded after 30 April 2018 regarding this account from Miss C's credit file.
- Or, if after the rework there is still an outstanding balance, Barclays should arrange an affordable repayment plan with Miss C for the remaining amount. Once Miss C has cleared the outstanding balance, any adverse information recorded after 30 April 2018 in relation to the account should be removed from her credit file.
- As Barclays has sold the debt to a third party, it should arrange to either buy back the debt from the third party or liaise with them to ensure the redress set out above is carried out promptly.

\*HM Revenue & Customs requires Barclays to deduct tax from any award of interest. It must give Miss C a certificate showing how much tax has been taken off if she asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

### **My final decision**

I uphold Miss C's complaint and require Barclays Bank UK PLC trading as Barclaycard to provide the remedy set out under "Putting things right" above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 10 October 2022.

Ray Lawley  
**Ombudsman**