

## **The complaint**

Mr H complains that Barclays Bank UK PLC (Barclays) provided him with credit he couldn't afford to repay.

## **What happened**

Barclays approved a credit card for Mr H in January 2011. The limit was increased from £2,000 to £3,000 in November 2012 and again to £4,500 in September 2013. In April 2014 Barclays approved a further limit increase to £6,000 and a final increase to £7,500 was applied in November 2014.

Mr H said that the credit wasn't affordable and should never have been provided but Barclays disagreed.

They said they'd completed reasonable and proportionate checks before each credit advance but when Mr H's complaint was referred to this service our investigator thought that although information suggested the initial credit card application with a £2,000 limit had been affordable for Mr H, the further limit increases clearly weren't and shouldn't have been advanced. She asked Barclays to refund the interest and charges on all credit advances above the initial £2,000 limit and they agreed.

Mr H didn't think the investigator had gone far enough. He explained that he and his family had been put in financial difficulties over the last eight years and he wanted Barclays to compensate him for that.

## **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 know it will disappoint Mr H, but I agree with our investigator's opinion.

Our approach to considering complaints about unaffordable and irresponsible lending is set out on our website. I've had this approach in mind when considering what's fair and reasonable here.

I don't think the lending decision is in dispute anymore as Barclays have agreed with the investigator's view that the limit increases provided after the initial approval of the card were irresponsible.

I'll not therefore provide any further comments on those credit limit increases other than to say I would agree with the investigator's findings.

I haven't seen that Mr H disputed the investigator's findings on the initial credit card approval but for completeness I'll consider that again here.

Barclays had a responsibility to only provide credit that Mr H could sustainably repay. They needed to complete reasonable checks to satisfy themselves of that. The checks they completed were for them to decide and they could be in proportion to the amount being lent.

Barclays considered Mr H's credit file and asked him about his income. I think the checks they completed were reasonable and proportionate. But that doesn't necessarily mean the decision to provide the credit was reasonable. So, I've thought about what that information told them.

The credit file didn't show any signs that Mr H was in financial stress as there were no defaults, County Court judgments or missed payments. There was limited activity on Mr H's account as there was only a mail order account and a communications account listed. Considering Mr H had told them he was earning £21,000 per year I think that would have suggested he would have been able to afford the credit.

So, I don't think the initial application was unaffordable, but I do agree with our investigator that subsequent credit limits weren't.

In those circumstances this service usually tells a business to refund all interest and charges made on the credit that shouldn't have been provided. That's what the investigator has done here.

It's unusual for this service to tell the business to provide any further compensation to the consumer as the purpose is to put the consumer back, as much as is possible, in the position they would have been in had the lending not been advanced. And here, I am not persuaded there are any reasons to deviate from that. Whilst Mr H has explained the lending put him in financial difficulty he did have the benefit of that capital and I don't therefore think it would be fair to ask Barclays to refund that, or make any further payment to compensate Mr H for the impact his use of that credit has had on him.

### **Putting things right**

As I don't think Barclays should have approved the credit card limit increases above £2,000 I don't think it's fair for them to charge any interest or charges on those limit increases. However, Mr H has had the benefit of all the money he spent on the account so I think he should pay that back. Therefore, Barclays should:

- Rework the account to ensure that from November 2012 interest and charges are only made on the first £2,000 outstanding - to reflect the fact that no further credit limit increases should have been provided.
- If an outstanding balance remains once these adjustments have been made Barclays should contact Mr H to arrange a suitable repayment plan for this.
- If no outstanding balance remains, any adverse information should be removed from Mr H's credit file.

AND

- If the refund means there's no remaining balance, any extra should be treated as overpayments and returned to Mr H.

AND

- Pay 8% simple interest per year on any overpayments from the date they were made (if they were) to the date of settlement†.

† If HM Revenue & Customs requires Barclays to take tax from this interest. Barclays must give Mr H a certificate showing how much tax it's taken off if he ask for one.

### **My final decision**

I uphold this complaint and direct Barclays Bank UK PLC to put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 7 October 2022.

Phillip McMahon  
**Ombudsman**