

The complaint

Mrs C is unhappy that Barclays Bank UK PLC, trading as Barclaycard, increased the amount of credit that was available to her on her credit account on several occasions, all of which she feels were unaffordable for her at those times.

What happened

Mrs C has a credit account with Barclays. In April 2015, she applied for an increase of the credit limit on her account. Barclays accepted her application and the credit limit on her account was increased from £3,200 to £4,000. Similar credit limit increases followed in July 2015 and December 2016, to £5,000 and then £9,000 respectively.

In October 2020, Mrs C raised a complaint with Barclays as she felt that credit limit increases that Barclays had approved for her hadn't been affordable for her at those times.

Barclays looked at Mrs C's complaint. They noted that before approving Mrs C's applications for further credit they'd undertaken checks into Mrs C's financial position at those times. Barclays felt that there'd been nothing resulting from these checks that should have given them cause to suspect that Mrs C might not be able to afford the further credit she was applying for, and so they didn't uphold this aspect of Mrs C's complaint.

However, Barclays did acknowledge that the service that Mrs C received when interacting with them, which included that Barclays wrote to Mrs C referencing mental illness when Mrs C doesn't have or suffer from any such condition. And Barclays apologised to Mrs C for this.

Mrs C wasn't satisfied with Barclays response, so she referred her complaint to this service. One of our investigators looked at this complaint. They felt that the information that Barclays had available to them at the time of the further credit applications should have given them reasonable cause to suspect that the further credit might not be affordable or sustainable for Mrs C, such that it shouldn't have been offered to her. So, our investigator recommended that this complaint be upheld in Mrs C's favour on that basis. Our investigator also recommended that Barclays should pay further compensation of £75 to Mrs C because of the service issues that Mrs C had experienced.

Barclays didn't agree with the recommendations put forwards by our investigator, so the matter was escalated to an ombudsman for a final 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.

I issued a provisional decision on this complaint on 16 February 2022 as follows:

It's for a business to decide whether it will offer credit to a customer, and if so, how much and on what terms. What this service would expect would be, that before approving a customer for a new line of credit, or before increasing the amount of

credit available to a customer on an existing line of credit, the business would undertake reasonable and proportionate checks to ensure that any credit being offered to a customer is affordable for that customer at that time.

In this instance, before approving the credit limit increases on Mrs C's account, Barclays reviewed how Mrs C had managed and maintained the account in the months leading up to the increase, and also obtained information from a credit reference agency to get a better understanding of Mrs C's wider financial position at that time. And Barclays maintain that there was nothing resulting from these checks that should have given them cause to suspect that Mrs C might not be able to afford the further credit that she was applying for.

Considering the credit limit increase from £3,200 to £4,000 that took place in April 2015, it's notable from the credit account statements that in the months leading up to the increase, Mrs C was maintaining the balance of her account close to, but under, the credit limit of £3,200. It's also notable that Mrs C had a direct debit set up to ensure that monthly payments were received by Barclays such that the credit limit on the account wasn't exceeded.

I don't feel that this management of the account by Mrs C should have been taken by Barclays as being an indicator of potential financial difficulty. And I say this because it's at the discretion of the account holder as to how they want to use and manage a credit account, and the maintenance of an account close to but not exceeding the agreed credit limit, so as to not incur unnecessary charges on the account, can be a legitimate account maintenance choice that an account holder can elect to make.

And while it was the case that the balance of the account did exceed the credit limit on one occasion, it's evident that this was as a result of the direct debit failing for that month, so that the planned monthly payment wasn't credited to the account on time. However, while it may have been the case that the direct debit failed because of absence of available funds, which may suggest potential cashflow and affordability issues for Mrs C at that time, it's notable that Mrs C was able to make a payment to cover the failed direct debit on short notice following the direct debit payment not being honoured.

As such, and in light of the responsible management of the account that Mrs C had displayed up to that time as well as in the following months leading to the credit limit increase, I don't feel that this particular instance of Mrs C exceeding the credit limit on her account should have been taken by Barclays as being necessarily indicative that Mrs C might not be able to afford the credit limit increase that she applied for such that it shouldn't have been offered to her.

It's also notable that Barclays obtained information from a credit reference agency following Mrs C's application for further credit, and this information appeared to confirm that Mrs C did have monthly income at that time so that she would be able to meet the potentially higher monthly repayments that an increase in the credit limit on her account might entail. This type of affordability assessment is what was expected of Barclays, given the affordability assessment standards that were in place at that time, and when considered in conjunction with Mrs C's management of her account, as described above, I don't feel that it was unfair or unreasonable for Barclays to have approved Mrs C's application for an increase in the credit limit on her account to £4,000.

In July 2015, Mrs C applied for another credit limit increase on her account, which was approved by Barclays and which resulted in the credit limit being increased to

£5,000. It's notable that in the months leading up to this increase, Mrs C had made a payment to clear the balance of the credit account in full and had subsequently been maintaining the balance of her account significantly below the existing credit limit of £4,000.

It's also notable that the information that Barclays obtained about Mrs C from a credit reference agency continued to suggest that Mrs C would in all likelihood be able to afford the potentially higher monthly repayments that an increase in the credit limit on her account might entail, and didn't provide anything that might indicate that Mrs C was in financial difficulty at that time. And as such I also don't feel that it was unfair or unreasonable for Barclays to have increased the credit limit on Mrs C's account to £5,000 when they did.

The final credit limit increase took place in December 2016. This was a significantly larger increase than the previous two, with the credit limit rising from £5,000 to £9,000. It's also notable that at that time, Mrs C confirmed that she was a homemaker, and therefore not working, with an income of £13,500 per annum. This means that the credit limit of £9,000 that Barclays approved Mrs C for here represented more than 65% of Mrs C's declared annual income.

This doesn't feel sustainable to me, especially in consideration of the other external credit facilities totalling approximately £1,750 that Mrs C held at that time - as per the information that Barclays obtained from a credit reference agency - and which meant that after being granted an increase in the credit limit on her account to £9,000 by Barclays, Mrs C had available credit of approximately £10,750 with a declared annual income of only £13,500.

And while the credit account statements confirm that Mrs C was maintaining her account close to, but within, the credit limit of £5,000 at that time, and the information from the credit reference agency suggested that Mrs C would most likely be able to afford any higher monthly payments that might become due on an account with a £9,000 credit limit, I don't feel that providing such a high amount of credit, when considered as a percentage of annual income, to a customer with a relatively low annual income and who had declared themselves as a 'homemaker' does constitute fair and responsible lending. And I will be provisionally upholding this complaint in Mrs C's favour on that basis.

As such, my provisional instructions to Barclays here are that they must reimburse to Mrs C's account any charges and fees that have been incurred on the account following the credit limit increase in December 2016, as well as any interest that has accrued on the account for the portion of the account balance over the previous credit limit of £5,000 from December 2016 onwards.

If these reimbursements result in Mrs C having a credit balance in her favour, then this amount must be paid to Mrs C along with 8% interest calculated to the date of repayment. Barclays must also remove any adverse credit file reporting that Mrs C may have incurred since December 2016.

Finally, because of the service issues that Mrs C experienced, and because of the inconvenience and upset Mrs C has incurred because of this ongoing matter, Barclays must make a compensation payment of £200 to Mrs C. This payment may not take the form of a credit to Mrs C's Barclay's credit account unless Mrs C gives her permission for it to do so.

In my provisional decision letter, I gave both Mrs C and Barclays the opportunity to provide any comments or new information they might wish me to consider before I moved to a final decision. Barclays confirmed that they were happy to accept my provisional decision, whereas Mrs C did provide some further points for me to consider.

Included within these further points were references to an earlier credit limit increase that took place in 2014. However, as has been previously explained to Mrs C by our investigator, it isn't within the limits of our jurisdiction to be able to consider this earlier credit limit increase, given the length of time that's elapsed since it occurred. I concur with this position, and I note that Mrs C didn't object to it when it was first explained to her. As such, I can confirm that the credit limit increases that have been considered here are those from 2015 onwards, as described on the opening page of this letter.

Mrs C has also stated that she didn't apply for any of the credit limit increases in question. This is contrary to Barclays position, which is that all three of the credit limit increases under consideration here were actively applied for by Mrs C.

While I appreciate that this is a point of contention for Mrs C, I don't think it has any tangible impact on my decision here. I say this because if it were the case that Mrs C didn't apply for these credit limit increases it's also the case that she didn't contact Barclays following their implementation to decline them, but accepted the further credit being provided to her.

As such, I'm satisfied that what's important here is whether the provision of the further credit to Mrs C can be considered as being affordable for Mrs C when it was provided, regardless of how the provision of that further credit may or may not have been instigated.

Mrs C has also provided details of when she was exceeding the credit limit on the account at various times and was incurring over limit fees as a result. However, this information confirms the information I had already assessed from the account statement history provided to this service by Barclays, and I'm satisfied that my descriptions of events in the months leading up to the credit limit increases, as per my provisional decision letter, are accurate.

For instance, in regard to the credit limit increase that took place in April 2015, I note that Mrs C did incur several over limit charges on the account in 2014, but that in the first quarter of 2015 – in the months immediately leading up to the credit limit increase – she was able to maintain the balance of the account within the agreed credit limit and didn't incur such charges.

There was one exception to this, as described in my provisional decision letter, when Mrs C's direct debit failed leading to charges being incurred. But Mrs C was able to quickly cover the missed payment and Barclays reimbursed to Mrs C's account the majority of those charges. And, as explained, I don't feel that this incident should have reasonably given Barclays cause to not implement the credit limit increase in April 2015 that they did.

Mrs C has also stated that she disagrees that she told Barclays at any time that her income was in the region of £13,000 per year, and states that her income has always been less than that amount. However, this point relates to the credit limit increase to £9,000 in December 2016. As per my provisional decision letter, I already feel that this credit limit increase wasn't fair and reasonable and as such I will already be upholding this aspect of Mrs C's complaint. Because of this, I haven't considered this point further.

Finally, Mrs C has questioned information that she has received from Barclays following a Data Subject Access Request she made to them. This matter lies outside the scope of this complaint and as such I am unable to comment further on it. However, I can confirm that Barclays have presented information to this service which demonstrates that they used

information about Mrs C specifically, obtained from a credit reference agency, when conducting the affordability assessments referred to in my provisional decision letter.

All of which means that my final decision here is that I will be upholding this complaint on the same basis as that previously outlined in my provisional decision letter.

Putting things right

Barclays must reimburse to Mrs C's account any charges and fees that have been incurred on the account following the credit limit increase in December 2016, as well as any interest that has accrued on the account for the portion of the account balance over the previous credit limit of £5,000 from December 2016 onwards.

If these reimbursements result in Mrs C having a credit balance in her favour, then this amount must be paid to Mrs C along with 8% interest calculated to the date of repayment.

Barclays must also remove any adverse credit file reporting that Mrs C may have incurred since December 2016.

Finally, Barclays must make a compensation payment of £200 to Mrs C. This payment may not take the form of a credit to Mrs C's Barclays credit account unless Mrs C gives her permission for it to do so.

My final decision

My final decision is that I uphold this complaint against Barclays Bank UK PLC on the basis explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 14 April 2022.

Paul Cooper
Ombudsman