

The complaint

Mr A complains that Barclays Bank UK PLC trading as Barclaycard (Barclaycard) reduced his credit limit.

What happened

Mr A had a Barclaycard with a limit of £2,400. He was made redundant as result of the Covid-19 pandemic and he had a three-month payment holiday in October 2020, November 2020, and December 2020 – ending on 31 December 2020. He then had a second payment holiday starting on 24 February 2021. On 23 February 2021, Barclaycard reduced the limit to £2,150.

Mr A complained. He said the reduction in his limit wasn't fair. He said he'd maintained a good account with Barclaycard up until he was made redundant because of the pandemic. The reduction in limit took place during his payment holiday, and interest alone would take him over the reduced limit – so it didn't make sense. He also said he had several problems in lodging his complaint with Barclaycard. He wants his limit restored and as compensation, a refund of the interest paid during the payment holiday. During our investigation, Mr A said his limit had been reduced again in December 2021 – to £1,750.

Barclaycard said they'd reduced Mr A's limit because of the high level of borrowing, low pattern of payments, and information they received from credit reference agencies. They'd advised Mr A ahead of the reduction taking place. They apologised that Mr A hadn't been able to get through to Barclaycard on the phone, or that his complaint hadn't been handled efficiently. They paid two amounts of compensation for that - £20 and £25.

Mr A brought his complaint to us. Our investigator said Barclaycard acted reasonably. The first payment holiday had been set up correctly, including the charging of interest. Mr A hadn't gone over his limit due to the interest being debited to the account. By the time that Barclaycard agreed the second payment holiday, they'd already decided to reduce his limit to £2,150 – and they'd written to Mr A in a letter dated 19 February 2021 to advise him in advance of the limit being reduced. She said that Barclaycard could reduce Mr A's limit if they wished and this was included in the terms and conditions of the account. And it was for Barclaycard to make their own lending decisions on customers' accounts – taking into account their own data plus information from credit reference agencies. Interest was about £40 a month, so she worked out that Mr A wouldn't go over his reduced limit by 30 April 2021 – when the second payment holiday ended. On the wait times on the phone experienced by Mr A – our investigator said all banks were affected by the pandemic and so wait times were long. But in any case, Barclaycard had responded to Mr A's complaint within the eight-week timescale allowed.

She said that we couldn't look at the further reduction in the limit to £1,750 in December 2021 - as this wasn't part of Mr A's original complaint. If he wanted to pursue that, he should complain to Barclaycard in the first instance.

Mr A didn't agree and asked that an ombudsman look at his complaint.

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 can see where Mr A is coming from – he had two payment holidays and at the time of Barclaycard's agreement to the second one – in February 2021, they reduced his limit from £2,400 to £2,150. I can see that he maintained a decent account during 2020 up until the first payment holiday started in October 2020. The balance was usually less than 50% of the limit. Monthly payments were always made and were usually much more than the minimum needed.

To be clear on payment holidays - in April 2020, the Financial Conduct Authority (FCA) announced guidance to lenders in response to the effects on customers of the COVID-19 pandemic. All lenders, including Barclaycard, had to put in place 'payment holidays' on many credit agreements, including credit cards – to help customers who were affected. Customers could ask for a total of two payment holidays each of three months – whereby payments could be suspended. Missed payments would not be reported to credit reference agencies, although interest would still be debited to the accounts. This support was provided by firms up to the end of October 2020.

In September 2020, the FCA announced that the support scheme would change from the end of October 2020. From then, firms could continue to support customers in difficulty – but it was down to their discretion and customers' circumstances. And – reporting to credit reference agencies was reintroduced for people that had already had the maximum six months of payment holiday.

Looking at Barclaycard's agreement to Mr A's two payment holidays – they agreed to these in line with the FCA's guidance. Interest was charged during the period of the holidays.

I accept that Mr A is frustrated by Barclaycard's decision to reduce his limit. But their terms and conditions allow them to do that. These say: *"We may prevent or limit the use of your account....if we reasonably consider this is necessary for any of the following reasons:...Because the risk of you not paying the total outstanding balance you owe has significantly increased...We'll get in touch to tell you this has happened as soon as we can."*

And the terms and conditions also say that they don't have to tell customers before they reduce limits as they say: *"If we reduce your credit limit based on an assessment of risk or your ability to repay, we have the right to not give you any notice beforehand if we think this would not be appropriate. (However, we may choose to give you up to seven days' notice).*

We won't reduce your credit limit to less than your total outstanding balance plus any transactions authorised but not yet charged to your account."

And that's what Barclaycard did here. They assessed Mr A's account to be such that they felt that its risk had increased and took the decision to reduce his limit. I can see that they wrote to Mr A ahead of the reduction - on 19 February 2020 - to say it was going to happen.

We can't challenge Barclaycard's decision to reduce Mr A's limit - it's for Barclaycard to take their own commercial decisions about Mr A's credit limit, based on their lending criteria. That's for Barclaycard to decide – and we won't interfere with that.

Barclaycard told us (and in their email to Mr A dated 11 March 2021) that their assessment was based on several factors, including information from credit reference agencies. Mr A showed us his credit report dated May 2021 – and this showed he was then three payments

in arrears on a loan from another lender – so I presume it may also have been shown as in arrears in February 2021, when his Barclaycard limit was reduced. But it would only be one of many factors that Barclaycard considered – and while I offer that as a possible reason, it may not have been the only one. I saw that in Barclaycard's email dated 11 March 2021 – they suggested that he contact the credit reference agencies if he wanted to challenge the information they held on him – and he may still wish to do that if he feels that it is wrong.

Mr A argued that the interest on the card debt would of itself take him over the reduced limit – and this didn't make sense. His balance was £2,015.03 in the statement dated 18 February 2020. Interest was about £40 a month – so I don't think it would have caused the account to go over the limit, depending of course on any purchases that Mr A may have made.

I can see that Mr A's experience in contacting Barclaycard and logging his complaint wasn't without its frustrations. But as our investigator said, all banks were suffering from long wait times on the phone, and general service disruptions at the time due to the pandemic. And our service takes the view that we accept there were some reasonable delays in dealing with matters because of that. And Barclaycard paid compensation of £45 for this, which was reasonable. And as our investigator said, Barclaycard did send Mr A their final response within the eight-week timescale allowed.

But – in summary, as I've said – Barclaycard's terms and conditions allow them to reduce Mr A's limit in the way they did. And it's for their own commercial judgement if they decide to do so – and so Barclaycard haven't acted incorrectly or unreasonably in the circumstances of Mr A's complaint.

I can see that Mr A was frustrated by what happened and so will be disappointed by my decision – but I'm not going to ask Barclaycard to do anymore here.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 2 July 2022.

Martin Lord
Ombudsman