

The complaint

Mr M complains that Barclays Bank UK PLC trading as Barclaycard was irresponsible in increasing the credit limit on his account.

What happened

Mr M has a credit card account with Barclaycard. In June 2018, Barclaycard increased the credit limit on the account from £6,000 to £9,000. Mr M says he was already struggling to make the minimum payments and had missed some payments. He says that the increased credit limit wasn't affordable.

In May 2020, Mr M applied for a payment holiday which was approved. In August 2020, after the payment holiday, he completed an income and expenditure form. This showed that he had no disposable income. Barclaycard suspended interest and charges on his account from that point onwards. It also put his account under the control of its specialist support team.

In early 2021, Mr M complained to Barclaycard about the increase to his credit limit. It sent its Final Response Letter to the wrong address, so Mr M says he was waiting for a reply for around a month. Barclaycard apologised for this and paid Mr M compensation of £100.

In relation to the credit limit, Barclaycard said that Mr M had the opportunity to opt out of the increase but didn't do so. It said it hadn't lent irresponsibly and that there was nothing to suggest that Mr M was experiencing financial difficulty at the time. But it refunded interest of £250 to his account.

Mr M wasn't happy with Barclaycard's response and asked this service to look at the complaint. I issued a provisional decision on 16 March 2022 and both parties accepted my findings. I'm now issuing a final decision on this 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 haven't seen anything which changes my mind about the appropriate outcome here. So I'm going to uphold this complaint in the way I indicated in my provisional decision. My reasons are set out below.

There are industry rules and best practice guidelines which apply to credit limit increases for credit cards. In line with these, I'd expect a business to assess a customer's creditworthiness and consider how their financial situation may be adversely affected before significantly increasing their credit limit.

From the information I've seen, I'm satisfied that Barclaycard carried out some assessments before increasing Mr M's credit limit. But I need to decide whether it did enough to assess whether Mr M could manage the higher level of borrowing and whether its decision to increase the limit was reasonable, based on the information it gathered.

Barclaycard says that Mr M had an exemplary payment history in the 12 months before the credit limit increase. But Mr M says he was already struggling to make the minimum payments and had missed some payments. I've seen his statements and I can't see any evidence of missed payments before the credit limit was increased. I'm satisfied that Mr M was maintaining payments to the account at that time. But he was only making the minimum payment each month and this had been the case for more than a year.

Making the minimum payment each month isn't necessarily a sign that a customer is in financial difficulty. But, without more information, I don't think it indicates that further borrowing will be affordable. After all, a higher credit limit can lead to higher minimum payments.

Barclaycard says that, before increasing the credit limit, it assessed the likelihood of Mr M's account defaulting. It says that his score on this assessment was within its threshold for further lending. It says it also used Credit Reference Agency data to assess Mr M's financial position. It didn't ascertain or verify Mr M's income as part of this assessment. But it says that the Credit Reference Agency score indicated a level of confidence in Mr M's income which it found acceptable. Barclaycard says that Mr M also passed the affordability assessment on the Credit Reference Agency data.

I'm satisfied that Barclaycard obtained the information outlined above. But I don't think it was enough to show that a higher level of borrowing was going to be manageable for Mr M. I'm not satisfied that the information about Mr M's income was enough for Barclaycard to know that he would be able to meet higher monthly repayments in addition to his existing outgoings, particularly as the Credit Reference Agency data also showed that he had outstanding loans and credit card balances with other lenders at the time.

The credit limit increase was significant here. In the circumstances, I think Barclaycard should have done more to consider how Mr M might be adversely affected by the increase, before implementing it. I think that, if Barclaycard had sought more information, it's likely it would have concluded that further borrowing wasn't affordable for Mr M and so it would probably have reached a different lending decision.

I'm satisfied that Barclaycard gave Mr M notice of the credit limit increase and that he had the chance to opt out of it. But, if a customer is financially stretched, I don't think it's necessarily reasonable to expect them to turn down an unsolicited increase in credit.

To put things right, I think Barclaycard should rework Mr M's account to remove all interest and charges on any balance over £6,000 from 12 June 2018 (being the date the credit limit was increased to £9,000). Where any such interest and charges have been paid by Mr M, they should be refunded to him with interest.

Mr M says the increase greatly affected his finances, which soon spiralled out of control. I note that Barclaycard wrote to him in February 2020 and told him his account had been in persistent debt for at least 36 months. It said he didn't need to do anything but that he should continue to pay at least the minimum payment each month or get in touch if he had concerns about his financial situation. In May 2020, Mr M requested a payment holiday and Barclaycard agreed to this. The payment holiday was in place until August 2020. From what I've seen, I don't think Barclaycard knew of Mr M's difficulties until he contacted it at the end of the payment holiday and explained his situation.

At that point, Barclaycard suspended interest and charges on Mr M's account. I think that was fair. I also think the refund of £250 which Barclaycard made in January 2021 was fair. So I don't think Barclaycard needs to do any more in relation to Mr M's financial difficulties.

I also think that £100 was fair compensation for Barclaycard's mistake in sending the Final Response Letter to the wrong address. So I'm not going to ask it to do any more about that.

My final decision

For the reasons above, I uphold this complaint. Barclays Bank UK PLC trading as Barclaycard should:

- rework Mr M's account to remove all interest and charges on any balance over £6,000 from 12 June 2018; and
- where any such interest and charges have been paid by Mr M, refund those to him together with simple interest at 8% a year, from the date of payment until the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 17 May 2022.

Katy Kidd
Ombudsman