

The complaint

Mr I complains that Barclays Bank UK PLC trading as Barclaycard (Barclaycard) lent to him irresponsibly.

What happened

Mr I was given a credit card by Barclaycard in November 2017. The limit was £3,800 and this wasn't increased. Towards the end of 2020, minimum payments were around £80 per month, but at that time Mr I fell into financial difficulty and arrears started to build up. By March 2021, the arrears were £351.09, and in April 2021, the arrears were £432.29. Barclaycard sent Mr I a Notice of Default in May 2021 with the arrears at £515.52. The account was passed to Barclaycard's collections department and a debt collection agency were engaged to monitor payments. Mr I's credit file was marked with missed payments and a default.

Mr I complained. He said that he shouldn't have been given a card in the first place, and Barclaycard didn't complete the necessary checks. He said Barclaycard had increased his limit without making sufficient checks. He also said Barclaycard hadn't offered him help when he was struggling. He didn't understand about the involvement of a debt collection agency. He said that they didn't handle his complaint effectively either.

Barclaycard apologised that they'd taken longer than normal to deal with Mr I's complaint and for that paid compensation of £100. They couldn't see why Mr I had complained about increases in his limit and asked him more questions about his complaint.

Mr I brought his complaint to us in May 2021. Our investigator said Barclaycard hadn't acted reasonably. They shouldn't have given Mr I a limit of £3,800 – based on the income and expenditure analysis they did at the time when the card was issued. This showed that Mr I's disposable income was only £76.30 each month, while the minimum payment was then £61.96. So – that was tight and left no margin for any problems that might occur. He said that interest and charges should be refunded from when the card was issued in 2017. And the default and missed payment markers should be removed from his credit file.

Barclaycard agreed with our investigator's view and refunded interest of £946.85 and late payment charges of £24. They removed the adverse information from Mr I's credit file.

Mr I remained unhappy. He said he was confused about the involvement of a debt collection agency; and said the interest and charges refund didn't appear to be sufficient. And – he didn't know what his current balance was. He 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.

Mr I complains that:

- He shouldn't have been given a card with a limit of £3,800 in the first place; and Barclaycard shouldn't have increased the limit subsequently.
- Barclaycard didn't give him any help or support when he needed it.
- He didn't know what was going on in terms of the involvement of a debt collection agency.
- He didn't think the refunds of interest and charges were sufficient and had paid more.
- Barclaycard were slow to deal with his complaint.

While some of these aspects weren't part of Mr I's initial complaint to us or Barclaycard, I will deal with them to try to be helpful to Mr I.

Credit card limit: All lenders have an obligation to lend money responsibly. We have to check whether Barclaycard acted in line within the Financial Conduct's (FCA) rules on creditworthiness assessment as set out in its handbook, (CONC) section 5.2. These say that a firm must undertake a reasonable assessment of creditworthiness, considering both the risk to it of the customer not making the repayments, as well as the risk to the customer of not being able to make repayments. We look at:

- Whether the lender completed reasonable and proportionate checks to satisfy itself that the borrower would be able to repay any credit in a sustainable way?
- If reasonable and proportionate checks were completed, did the lender make a fair lending decision made bearing in mind the information gathered and what the lender knew about the borrower's circumstances?
- And a reasonable and proportionate check would usually need to be *more* thorough:
 - the lower a customer's income, and the higher amount to be repaid.
 - the greater the number of loans and frequency of loans.
 - the longer the term of the loans

It's important to note that the checks must be proportionate to the amount being lent – so the higher the amount, the greater the checks must be, and the lower the amount, then fewer checks can be made.

Mr I was given a credit card in November 2017 with a limit of £3,800. He told Barclaycard he earned £16,500 per annum; had monthly income of £1,208 with outgoings of £1,123. So that left 'disposable income' of £76. The new minimum payment on the card was about £62 – so while he could just afford to pay that, it didn't leave any room for any problems that might arise. And so – I agree with our investigator that on balance, Barclaycard shouldn't have given him a limit of £3,800.

Increases in limit: Mr I says Barclaycard increased his limit – but I can see from their records that they didn't. So – I haven't looked at this aspect any further.

Help and support: I can see that Mr I started to have problems in making payments to Barclaycard late in 2020. The payment due by 9 November 2020 was paid late; and the minimum payment due in December 2020 wasn't paid in full. Arrears started to build up then and subsequently. Barclaycard then wrote to Mr I to say he had missed payments and that arrears were increasing – on 20 December 2020 (arrears £82.03); 18 January 2021 (£187.16); 15 February 2021 (£269.96); and 15 March 2021 (arrears £351.09). Mr I says Barclaycard didn't offer any help and I've considered this. In the letters they sent, they asked

Mr I to get in touch if he needed help. The letters said *“However, there are a number of ways we can help, so please let us know if you’re ever struggling to make a payment... What are my options? If you’re struggling to make a payment, there are a number of ways we could help. For example, a repayment arrangement could be set up to help clear the arrears on your account. We’ll do our best to find a solution that works for you, so please call us on xxxxx”*.

The letters also gave contacts details for free debt advice organisations.

I can’t see that Mr I contacted Barclaycard to ask for help or go through his situation with them. If he had, we would have expected Barclaycard to look at his income and expenditure, and his other debts and consider whether a payment plan, involving possibly an interest free period and lower or zero payments were appropriate. But – it’s only fair to say that Mr I needed to contact Barclaycard to ask for help in the first place. So – I think Barclaycard acted reasonably here.

Debt collection agency (DCA): Mr I has said he’s confused about how a debt collection agency is involved. I looked at this. In Barclaycard’s Notice of Default dated 19 May 2021, it said *“We may pass your debt to a third party debt purchaser who will ask you directly to repay the outstanding balance.”* So – Barclaycard could pass Mr I’s debt to a DCA to collect payments if they wished. We asked Barclaycard about this – and they confirmed that Mr I’s debt hasn’t been sold to a DCA; but they use a DCA to monitor payments and chase them up if they’re not made. So – Mr I’s debt remains with Barclaycard at the present time. And so – he should make his payments to his Barclaycard account. But any discussions or negotiations about the debt should be with the DCA. I hope that makes things clearer for Mr I.

Interest and charges refund: we asked Barclaycard to check the refunded amounts and they confirmed they were accurate – and date back from when the card was issued to when the refunds were made in May 2022. They did this and confirmed the refunds to be accurate.

Barclaycard’s complaints process: Mr I says Barclaycard were slow to deal with his complaint. But I’m afraid this isn’t something we have the power to investigate. This service is governed by strict rules about what complaints we can, and cannot, look at. These are covered in The Financial Conduct Authority’s Handbook. This defines a complaint as being about a financial product or service. So, complaints specifically about a business’s complaint handling or processes aren’t included. Mr I’s concerns about Barclaycard’s response here are specifically about how they handled a complaint and replied to it, so – this aspect of Mr I’s complaint isn’t one we can look at. But I note that they did apologise to Mr I – and paid compensation of £100.

Putting things right

I agree that Barclaycard shouldn’t have given Mr I a limit of £3,800 when they issued the card in November 2017. And so – this decision formalises what they’ve already agreed to do – which is to refund the interest and charges from the issue of the card to the present time; and remove the adverse information from Mr I’s credit file. I note that Barclaycard have

already done this. I don't think Barclaycard need to do any more than that.

Mr I's debt in May 2022 was £3,109.34. His last payment was in June 2021. And so – the debt still needs to be dealt with by Mr I; and so I would encourage him to get in touch with the debt collection agency (who monitor his repayments) to agree a sensible payment plan going forward. It's important to say that this decision only says that Mr I's credit file has markers removed up to this moment in time – so if he was to not repay the debt, or stick to any agreed repayment plans in the future, then it's only fair to say that the debt collection agency may take action against him. So – he must bear this in mind.

My final decision

I uphold this complaint. Barclays Bank UK PLC trading as Barclaycard must:

- Refund interest and charges on Mr I's account from when it was opened to the date of this decision.
- Remove adverse markers from Mr I's credit file from the date of opening Mr I's account to the date of this decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr I to accept or reject my decision before 31 August 2022.

Martin Lord
Ombudsman