

## **The complaint**

Miss W complains that Barclays Bank UK PLC lent to her irresponsibly. She says they should have looked at her financial circumstances in more detail before agreeing to the loan as she couldn't afford it.

## **What happened**

Miss W applied in branch for a loan of £12,000 from Barclays in October 2014.

The loan was approved over 60 months with monthly repayments of £301.86 at an interest rate of 18.9%.

When she applied for the loan, Barclays say they checked Miss W's income, expenditure and Credit Reference Agency data and that the loan was affordable.

Miss W says she was a student at the time of the application, working part time with an existing car loan. She says she was talked into the loan by the bank's adviser, who told her that the loan would be affordable if she used it to pay off her existing car loan.

By October 2015 Miss W had missed three payments and the debt was passed to debt collectors in 2017.

Following a review of the loan and how it had treated customers in financial difficulty Barclays took the loan back from the debt collectors in 2020 and refunded some of the fees and charges.

Miss W maintained that she should never have been offered the loan and said that her credit rating and mental health have been affected.

Our investigator upheld Miss W's complaint and thought that Barclays had lent irresponsibly. She recommended that Barclays should refund all the interest and charges on the loan and remove any negative information from Miss W's credit file.

Barclays partially accepted the investigator's view and agreed to the refund, but they disagreed with the recommendation to remove adverse credit information because they felt that Miss W had misled them about her income when she took out the loan. So, the case has been passed to me 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.

In cases like this I have to look at what checks the bank carried out when it made the decision to approve the lending and consider whether those checks were proportionate and in accordance with the Consumer Credit sourcebook (CONC) 5.2 (the rules in force in October 2014). That involves looking at what information was available to the lender at the

time, and whether based on the information, they should have done further checks to help them understand if the lending was sustainable.

Barclays have said that Miss W had self-declared income of £800 with £393 as expenditure, leaving a monthly disposable income of £407. They say that the credit check showed no other unsecured lending, and so the loan repayments of £301 affordable.

However, Miss W held a current account with Barclays which meant that they had information already in their possession about her income and expenditure – which would have easily shown them what her actual income was. Miss W's current account statements for the period April to October 2014 show that she had much less than £800 earnings per month. Her part time earnings for the three months prior to the loan were:

July	£299.82
August	£394.42
September	£366.03

So, I think that Barclays should have known that Miss W's income was not £800 per month when they were considering whether to lend to her.

With regard to the car loan, Miss W says that Barclays were aware that she had an unsecured car loan, as the bank's adviser had suggested using the new loan to pay the car loan off, which would make it affordable. Barclays have also noted that Miss W did in fact pay off her car loan of £7748.56 with the loan. So, I think it's likely that Barclays knew about the car loan before the lending decision was made. Unfortunately, the adviser is no longer employed and so we have no evidence about what was discussed at the meeting, but I'm satisfied from Miss W's testimony that it was likely to have been discussed.

And so, I'm satisfied that Barclays had sufficient information readily available about Miss W's financial situation, but that they didn't use that information or properly consider the adverse impact that the loan would have on Miss W's financial position. If they had done so, they would have seen that the loan wasn't sustainable, and I think it is unlikely they would have lent to her.

I note that Barclays have accepted this in any event, and have already agreed to refund all interest, fees and charges. They have also offered to restructure the remaining debt into an interest free loan. However, they object to removing the adverse credit data.

Barclays said that Miss W misled them on her application by stating her income was £800 per month when it was only £350, and she didn't declare her circumstances had changed even though she had only taken out car finance weeks before. They said that as their loan was used to satisfy the previous loan on which no payments had been made, it is likely that Miss W would have defaulted in any event, and that she also made another loan application after the Barclays one. They consider that the adverse credit information should remain in place as an accurate reflection of Miss W's approach to lending.

I disagree with this. As I have said above I think it is likely that Barclays knew about the car loan and even though the declared income on the form is £800, they knew that not to be true at the time the loan was approved. Barclays made the decision to approve the loan despite being in possession of information that it wasn't affordable, and so any consequences that flow from that error, such as the negative credit markers should be removed. I don't think that it is reasonable to say that the negative markers should stay because she may have defaulted on the previous loan – my role is to make decisions on what has happened, not what might have happened.

As the loan balance is still outstanding, and Barclays have agreed to come to a payment arrangement in respect of the balance, the loan itself will still be on Miss W's credit record for other prospective lenders to see, and so her credit record will fairly reflect her financial position even if the negative markers are removed.

### **Putting things right**

Barclays should:

- Refund all interest, fees and charges that have been applied to the loan account as agreed in their letter to us dated 11 May 2022.
- If this results in Miss W having paid more than the outstanding balance, any overpayment should be refunded to Miss W along with 8% simple interest (calculated from the date the overpayments were made until the date of settlement)
- If there is still a balance outstanding, this should be restructured into an interest free loan as already agreed by Barclays, and they should attempt to arrange an affordable and suitable payment plan with Miss W.
- Remove any negative information recorded on Miss W's credit file relating to the loan.

### **My final decision**

I'm upholding Miss W's complaint about Barclays Bank UK PLC and directing them to put things right as outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 3 August 2022.

Joanne Ward  
**Ombudsman**