

The complaint

Mr B, who is represented by a third party, complains that Barclays Bank UK PLC, trading as Barclaycard ("Barclaycard"), irresponsibly granted him a credit card he couldn't afford to repay.

What happened

In December 2014 Mr B entered into an agreement with Barclaycard to have access to credit by way of a credit card account.

Mr B says that Barclaycard didn't complete adequate affordability checks when it opened his credit card account. He says he was already struggling financially at the time.

Barclaycard didn't agree. It said that it carried out a reasonable and proportionate assessment to check Mr B's financial circumstances before granting him the credit card account and each of the credit limit increases.

Our adjudicator recommended the complaint be partially upheld. Whilst she thought Barclaycard didn't act unfairly or unreasonably by approving the opening of the account and the first credit limit increase, she went on to say that it shouldn't have given him the second, third and fourth increases.

As Barclaycard didn't agree the complaint 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.

Barclaycard will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don't consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

Before granting the account, Barclaycard looked into Mr B's financial situation. Based on the credit check it carried out, it took Mr B's income to be £1,096 per month. It also found that Mr B was generally managing his other credit accounts well. Barclaycard also assessed Mr B's regular outgoings using average costs data. It then set an opening credit limit based on these factors. I therefore think that the checks carried out by Barclaycard showed it was likely that the credit card account was affordable for Mr B, having calculated that Mr B would have sufficient disposable income to manage his Barclaycard card alongside his existing financial commitments. That calculation estimated his average monthly expenditure to be around £858, leaving him with £214 of disposable income.

But whilst it appears that Barclaycard carried out proportionate steps at the time, I still need to consider whether it made a fair lending decision at the outset and for each of the credit limit increases.

Looking at the first credit limit increase, I agree with our adjudicator that it would have been proportionate for Barclaycard to have taken steps to find out more about any changes to Mr B's income and expenditure. But keeping in mind that the first increase took place around five months after the account opening Barclaycard, it's reasonable to assume that Mr B's financial position wouldn't have materially changed. So I agree that Barclaycard wasn't acting unfairly in approving this first increase.

However, looking at the second, third and fourth increases, I agree that Barclaycard failed to take into account that the data they relied on likely wouldn't have left Mr B with enough disposable income. On each occasion, Mr B was already using around 80% of his available credit balance. Looking at the expenditure figures Barclaycard relied on for each of these increases – being £1,028, £1,153 and £1,190 – it's clear that based on an income of £1,096 per month, Mr B would be left with very little disposable income with which to run and manage his account for the first increase. And he would have no disposable income at all for the third and fourth increases, being more than his declared income. So I agree with our adjudicator that the checks that Barclays had in place show that these credit limit increases wouldn't have been affordable.

It follows that I don't think Barclaycard should have increased Mr B's credit limit beyond the first increase of £1,200.

Putting things right – what Barclaycard needs to do

- Rework Mr B's account to ensure that from 9 February 2016 onwards interest is only charged on balances up to the total credit limit of £1,200, (being the credit limit in place before that date) to reflect the fact that no further credit limit increases should have been provided. All late payment and over limit fees should also be removed; and
- If an outstanding balance remains on the account once these adjustments have been made Barclaycard should contact Mr B to arrange an affordable repayment plan for the account. Once Mr B has repaid the outstanding balance, it should remove any adverse information recorded on Mr B's credit file from 9 February 2016 onwards.

OR

- If the effect of removing all interest, fees and charges results in there no longer being an outstanding balance, then any extra should be treated as overpayments and returned to Mr B, along with 8% simple interest per year on the overpayments from the date they were made (if they were) until the date of settlement. Barclaycard should also remove any adverse information from Mr B's credit file from 9 February 2016.†

†HM Revenue & Customs requires Barclaycard to take off tax from this interest. Barclaycard must give Mr B a certificate showing how much tax it's taken off if he asks for one.

My final decision

For the reasons set out, I'm partially upholding Mr B's complaint. Barclays Bank UK PLC, trading as Barclaycard, should put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 27 July 2022.

Michael Goldberg

Ombudsman