

The complaint

Mr T has complained that Barclays Bank UK Plc, trading as Barclaycard, irresponsibly lent to him.

What happened

Mr T opened a credit card account with Barclaycard in October 2016 with an initial credit limit of £1,200. His credit limit was increased to £1,600 in February 2019.

Mr T eventually defaulted on his credit card. Mr T says that Barclaycard acted irresponsibly by providing him with the credit card and when it increased his limit. He says if Barclaycard had done adequate checks on his situation it would have seen that he wouldn't be able to repay his balance in a reasonable length of time.

Barclaycard says it didn't lend irresponsibly to Mr T and that it did all the necessary checks before it lent to Mr T – and when it increased his credit limit.

Our adjudicator thought that Mr T's complaint should be upheld from the point of the last credit limit increase. On the basis of the information available to them, they thought Barclaycard ought reasonably to have thought there was an indication the credit was unaffordable for Mr T.

Barclaycard disagreed. It said that large increases in the amount Mr T borrowed elsewhere was evidence that Mr T was 'creditworthy' and that he was making large repayments towards other debts, showing that he was able to manage them. It said its own checks on his income showed that his declared income was correct. Barclaycard didn't agree it should have done better checks.

Our adjudicator explained why they didn't think Barclaycard's rebuttal made a difference. As Barclaycard still disagreed the case has been passed to me to make a decision.

Mr T is unwell, and he is represented by his sister, who has provided all of the information requested. To keep things simple, I have referred only to Mr T.

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.

We've set out our general approach to complaints about unaffordable and irresponsible lending - including the key relevant rules, guidance and good industry practice - on our website and I've taken that into account when I have considered Mr T's complaint.

Barclaycard needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mr T

could afford to repay what he was being lent in a sustainable manner. These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and Mr T's income and expenditure. With this in mind, in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate.

Certain factors might point to the fact that Barclaycard should fairly and reasonably have done more to establish that any lending was sustainable for Mr T. These factors include things like understanding Mr T's income, the total amount Mr T borrowed, and the length of time Mr T had been indebted.

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

When Mr T took out the credit card in October 2016 I think Barclaycard found out a reasonable amount about Mr T and his ability to repay the credit. And looking at the information it had I think that it made a fair decision to lend to Mr T at that time. The checks (including information provided by Mr T during his application) showed that Mr T was employed, living in rented accommodation, and earning about £20,000 a year. He had a relatively modest amount of outstanding debt elsewhere - £2,341 over three credit cards. Barclaycard's income and expenditure assessment, using Transunion data, indicated that Mr T had a disposable income each month of around £400. So I think it's fair to say that Mr T would have been able to sustainably repay the borrowing, even if he used his whole limit.

Barclaycard says it did the same checks when it increased his credit limit in 2019. However, by now his financial circumstances were rather different. Barclaycard's data showed that he now had a loan for nearly £23,000 and had external credit card debt of over £5,500. Barclaycard says that he had recently repaid over £6,000 in credit card debt elsewhere. This event is shown on its submissions as happening in March/April 2019 – after the credit limit increase had been offered to Mr T in February 2019, so it is not clear that this is a fact Barclaycard can rely on.

Even though Mr T appeared to be managing his Barclaycard well, with no missed payments elsewhere, I think the amount of unsecured borrowing ought to have caused Barclaycard some concern. And, as our adjudicator pointed out, according to Barclaycard's data from Transunion, it appeared that Mr T's estimated regular outgoings would be more than his entire income each month. So, with this in mind, I think Barclaycard ought to have done further checks, by asking Mr T about his income and expenditure.

I can't say for sure what Barclaycard would have found out if it had asked Mr T about his income and expenditure at the time. After Barclaycard reiterated its objection to the adjudicator's view, I asked Mr T to provide a copy of his credit file. He has been able to provide this, and it shows some of his financial circumstances around the time of the credit limit increase- it's possible other information is no longer visible, for example if other debts have been removed from his credit file as a result of other upheld complaints. While it is not possible to identify exactly what amounts he had outstanding in total, I can see that his unsecured borrowing was well in excess of his total annual income. There is an additional loan which does not appear to have been present on Barclaycard's data, which had more than £7,000 outstanding, and at least five other credit cards. His mortgage payments were higher than Barclaycard's data indicated. It also seems that Mr T paid off some debts (including a large amount of credit card debt) by taking out other borrowing – so Barclaycard's argument that these large repayments evidence his 'creditworthiness' is not sustainable.

The credit file information reinforces my view that any additional borrowing would not have been sustainable for Mr T. Although Barclaycard suggests that the £400 increase was modest this isn't relevant. Barclaycard needed to obtain sufficient evidence that Mr T could afford all of his borrowing when it provided him with the increase, regardless of how much that might have been.

So while Mr T wasn't missing payments anywhere (as far as I can tell) at this point, I think it was clear that Mr T would have been paying a very significant proportion of his income each month to meet repayments on unsecured debt and that he had no disposable income at all. I think if Barclaycard had taken this into consideration it would have been clear that he could not sustainably afford an increase in his credit limit. I don't think Barclaycard should have increased Mr T's credit limit and I think Mr T lost out as a result of Barclaycard's decision to do so.

Putting things right

As I don't think Barclaycard should have increased Mr T's credit limit from £1,200, I don't think it's fair for it to charge any interest or charges on any balances which exceeded that limit. However, Mr T has had the benefit of all the money he spent on the account so I think he should pay this back. Therefore, I direct Barclaycard to:

- Rework the account removing all interest and charges that have been applied to balances above £1,200.
- If the rework results in a credit balance, this should be refunded to Mr T along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement. Barclaycard should also remove all adverse information recorded from 19 February 2019 regarding this account from Mr T's credit file.
- Or, if after the rework the outstanding balance still exceeds £1,200, Barclaycard should arrange an affordable repayment plan with Mr T for the remaining amount. Once Mr T has cleared the outstanding balance, any adverse information recorded after 19 February 2019 in relation to the account should be removed from his credit file.
- If Barclaycard has sold the debt to a third party it should arrange to either buy back the debt from the third party or liaise with them to ensure the redress set out above is carried out promptly.

*HM Revenue & Customs requires Barclaycard to deduct tax from any award of interest. It must give Mr T a certificate showing how much tax has been taken off if he asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting tax.

Mr T is currently very unwell and not in a position to communicate directly with Barclaycard. Barclaycard must communicate with his representative while he is incapacitated and must show forbearance in managing any remaining debt. If Mr T or his representative have any concerns about Barclaycard's management of any remaining debt they can raise a further complaint with the business and, if that fails to resolve matters, can bring a further complaint to this service.

My final decision

I partially uphold Mr T's complaint and direct Barclays Bank UK Plc trading as Barclaycard to pay compensation as described above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 21 February 2023.

Sally Allbeury
Ombudsman