

## **The complaint**

Mr C complains that Barclays Bank UK PLC, trading as Barclaycard ("Barclays") provided him with credit he couldn't afford to repay.

## **What happened**

Barclays increased the credit limit on the credit card Mr C had with them to £1,600 in October 2016 and again to £2,000 in January 2018.

Mr C says they were wrong to do that as the new credit wasn't affordable for him.

Barclays disagree. They say that when they increased the limit in 2016 Mr C had an outstanding loan and no other credit commitments on his credit file. They say that his performance on his credit card up to that point had been good and there were no missed payments on his account. They thought the credit was therefore affordable for him. Barclays said that when they increased Mr C's credit limit again in 2018 his performance on his account had again been good and, although there was now some credit card debt listed on his credit file, they didn't think that was sufficient to suggest the limit increase wouldn't be affordable.

Our investigator didn't agree and thought the credit was unaffordable, so the complaint has been referred to me, an ombudsman, 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.

Our approach to considering complaints about unaffordable and irresponsible lending is set out on our website. I've had this approach in mind when considering what's fair and reasonable here.

### ***The limit increase to £1,600 in October 2016***

I think Barclays completed proportionate checks before advancing this credit. They reviewed Mr C's credit card performance and obtained information from the credit reference agencies that also considered Mr C's likely expenditure. There was limited credit on Mr C's file and his performance on his credit card had been good. There was no evidence of financial stress on the credit file and I think the evidence suggested Mr C would be able to sustainably afford repayments.

So, I don't think the credit extended in October 2016 was extended irresponsibly.

### ***The credit limit increase in January 2018***

I don't think Barclays checks were proportionate at this point. Whilst Mr C's performance on his account had been good and his credit file didn't show missed payments, I think there was

evidence Mr C was beginning to rely on credit. In just over a year he'd accrued a credit card debt of over £5,000 and his balance on his credit card account had risen significantly in December 2017 just before the new limit was advanced. I think Barclays should therefore have dug deeper and as Mr C banked with them it would not have been difficult to review his bank statements.

The statements in the three months preceding the limit increase showed that Mr C was earning about £1,300 net but they showed his monthly expenditure to regularly be around that amount. Given his spiralling credit commitment and his recent increased card activity I don't think it was wise for Barclays to increase his indebtedness any further. I don't think they should have provided this credit limit increase as I think the evidence suggested it wouldn't be something Mr C could sustainably repay.

### **Putting things right**

As I don't think Barclays should have approved the credit limit increase from £1,600 to £2,000 I don't think it's fair for it to charge any interest or charges above £1,600. However, Mr C has had the benefit of all the money he spent on the account so I think he should pay that back. Therefore, Barclays should:

1. Refund the interest and charges associated with the January 2018 limit increase.
2. If the borrowing is still in place, reduce the outstanding capital balance by the amount calculated at Step 1.
3. If, after Step 2, there remains an outstanding capital balance, ensure that it isn't subject to any historic or future interest and/or charges. But if Step 2 leads to a positive balance, the amount in question should be given back to Mr C and 8% simple interest\* should be added to the surplus.
4. Remove any adverse information recorded on Mr C's credit file as a result of the interest and charges associated with the January 2018 limit increase.

\*HM Revenue & Customs may require the business to take off tax from this interest. If it does, the business must give the consumer a certificate showing how much tax it's taken off if they ask for one.

### **My final decision**

I uphold this complaint and direct Barclays Bank UK PLC to 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 C to accept or reject my decision before 10 October 2022.

Phillip McMahon  
**Ombudsman**