

The complaint

Mr V complains that Barclays Bank UK PLC irresponsibly gave him a personal loan.

What happened

Mr V applied for a personal loan with Barclays in June 2019. The loan was for £9,600 over a 60 month term, with monthly repayments of around £260. The interest rate was 21.6%. At the time of the application Mr V already held a current account with Barclays. Less than two weeks prior to Barclays approving the loan, it had also agreed to increase Mr V's overdraft facility on his current account by £300.

This complaint only concerns the personal loan, Mr V has also raised a complaint about his overdraft borrowing as well as a subsequent credit card application with Barclays, which will be dealt with under two separate complaints. Although I won't be making any findings about the overdraft (or credit card) in this decision, I've included details of them as the overdraft in particular is relevant context to Barclays' decision to approve the personal loan.

Mr V complained to Barclays in late 2021 about the credit he'd been given. He said that Barclays shouldn't have given him access to such a large amount of credit over a short period of time (overdraft, loan and credit card). He said it was irresponsible of Barclays to lend to him given that it ought to have been able to see from his current account activity that he was gambling heavily. He said that it was reasonably foreseeable that giving someone in his position access to more credit was likely to lead to harm and financial detriment.

Barclays didn't uphold Mr V's complaint. It said it was satisfied that it carried out adequate affordability checks before granting the personal loan. It said that its checks showed that he had sufficient disposable income each month to meet the repayments. It said that Mr V didn't disclose that he had a gambling addiction, and in any event, it said it couldn't see that he had used the loan proceeds for gambling.

Our adjudicator recommended the complaint be upheld. She thought Barclays ought to have seen the volume of gambling on Mr V's current account prior to lending and in doing so realised that the loan was likely to be unsustainable for him. To put things right she said Mr V should only have to pay back the capital amount borrowed, meaning that all interest and charges are removed.

Mr V accepted that outcome, but Barclays didn't, so 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.

Barclays 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 lending Barclays said it reviewed the activity on Mr V's current account to understand what his income and expenditure was. It says it also completed a credit check and internal credit scoring. Barclays hasn't provided us with the results of everything it checked, so I haven't been able to see exactly what it saw. Barclays has provided us with an income and expenditure assessment it completed using information from Mr V's current account. Overall, I think the amount of information Barclays reviewed prior to lending was reasonable and proportionate to the specific circumstances in this case. However, that doesn't mean it made a fair lending decision.

I have significant concerns with Barclays' income and expenditure assessment. It appears to have listed numerous gambling winnings coming into Mr V's account as income. I consider this to be wholly inappropriate when assessing affordability and sustainability of a loan. This is because it's clear that money isn't a result of Mr V's employment nor is it a regular or consistent source of income for him.

Further, despite taking into account gambling winnings as part of his income, Barclays failed to consider his gambling spending in his expenditure. I don't think it's appropriate or reasonable to include gambling for one purpose but not the other.

I note Barclays says that in the months of May and June 2019 its internal gambling trigger warning wasn't hit. It says for this reason it didn't think Mr V's level of gambling was potentially problematic. I think this is a far too simplistic view for Barclays to take. Barclays' gambling trigger appears to be a set value which is the same for all consumers, regardless of their circumstances. What this means for Mr V is that he would have needed to gamble in the region of a third of his entire monthly salary to set off the trigger. Further, Barclays could see in the months prior to May, Mr V's gambling had sometimes been as much as £1,000 per month, which was significantly above Barclays' gambling trigger point. So, clearly it could see that his gambling had been potentially problematic and harmful very recently.

Having reviewed Mr V's account activity for the six months prior to his loan application I think it's clear Mr V was regularly gambling more than he could afford to, taking into account his guaranteed (salaried) income and his essential expenditure. I think this information was readily available for Barclays when it chose to provide him with the personal loan and in giving him the loan, I think it did so irresponsibly.

I note Barclays says that Mr V didn't use the loan proceeds to gamble with. I don't agree that's entirely right, but I can see that Mr V did use the majority of the loan proceeds to pay off existing debts and other credit as well as make other personal purchases. Barclays says that in doing so, Mr V's overall indebtedness didn't increase by much as the loan paid off other commitments he would otherwise have had to pay. While that's true, the Barclays loan was still going to increase Mr V's overall indebtedness notwithstanding him paying off some credit with the loan proceeds.

It's clear Mr V's gambling activity increased significantly shortly after taking out the personal loan (just after he had taken out the Barclays credit card around two months later) and his financial position significantly worsened. So, I don't think Barclays can reasonably conclude that its decision to give Mr V a personal loan caused him no detriment or that the detriment wasn't reasonably foreseeable. As set out above, prior to lending Barclays ought to have been reasonably aware it was unlikely Mr V would be able to sustainably repay the borrowing. Whether he used the loan proceeds themselves for gambling is to a certain extent irrelevant, as the crux of the issue is about his ability to repay it back without difficulty.

Barclays ought to have seen that was unlikely and not approved the loan.

As I don't think Barclays should have approved the loan, I think it now needs to put things right. However, as Mr V has had use of the money he borrowed, it isn't possible to put him back exactly in the position he would have been in had the loan never been granted. As Mr V has received that money, I think he should pay it back. However, I don't think it's fair for him to pay any interest or charges on the amount borrowed. Barclays should therefore only ask him to pay back the capital amount borrowed. Anything Mr V may have already paid in excess of that amount should be refunded to him as an overpayment. It should also ensure that any adverse information in relation to this loan is removed from Mr V's credit file once he has repaid the capital he borrowed.

My final decision

For the reasons given above, I uphold this complaint and direct Barclays Bank PLC to:

- Remove all interest, fees and charges from the loan so that Mr V only pays back the capital amount he borrowed.
- If Mr V has already paid back more than the capital amount borrowed, Barclays should refund any overpayments he has made, adding 8% simple interest per year on those overpayments from the date of overpayment to the date of settlement.
- If Mr V has not yet paid back all of the capital amount borrowed, Barclays should arrange an affordable repayment plan with him for the outstanding balance.
- Once Mr V has repaid the capital amount borrowed, Barclays should remove any adverse information it has recorded on his credit file in relation to this loan.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr V to accept or reject my decision before 10 October 2022.

Tero Hiltunen
Ombudsman