

The complaint

Mr R complains that Barclays Bank UK PLC, trading as Barclaycard, lent to him irresponsibly and provided credit that was unaffordable for him.

What happened

In October 2009 Mr R took out a credit card with Barclaycard. He had an initial account limit of £300. Between July 2014 and September 2018 Mr R's credit limit was increased on nine occasions until it was £9,800.

Mr R says that Barclaycard shouldn't have lent to him. He also says his credit limit shouldn't have been increased because he was in debt at the time and was finding it difficult to meet his repayments. Mr R wanted what he had paid in interest and charges to be paid back, along with compensation.

Our investigator thought that Barclaycard hadn't irresponsibly supplied Mr R with the initial credit or the further credit limit increases up to the point of the last credit limit increase from £9,000 to £9,800. Our investigator said Barclaycard shouldn't have provided this last increase. Our investigator said Barclaycard should pay back any interest and charges Mr R paid on any balance above £9,000 and that it should rework Mr R's account. Our investigator said that Barclaycard should remove any adverse information recorded after 7 September 2018 on Mr R's credit account once he had cleared the outstanding balance. Barclaycard accepted this view but informed us that as Mr R had never used more than £9,000 of credit, there was no compensation due.

While Mr R initially agreed with the outcome, he changed his view when Barclaycard said that he hadn't lost out financially as a result of the last credit limit increase. As Mr R didn't agree, the complaint has been passed to me to make 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.

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 considered Mr R's complaint.

Having done so, I've come to the same conclusion as our investigator. The investigator's written view was comprehensive and I have little new to add to what they said. However, Mr R did raise questions after that view was provided and I will cover these in my decision.

Barclaycard needed to take reasonable steps to ensure it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mr R 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, Mr R's borrowing history and his income and expenditure.

Barclaycard has provided the results of the checks it did when Mr R opened the account. I can see from this that Mr R told Barclaycard he had a salary of £26,000 and he was living with his parents. Barclaycard completed a credit check which showed no recent adverse information. He had one loan which he was repaying at a cost of about £250 a month and two other active credit cards which had small balances.

Based on this an initial credit limit of £300 appeared affordable and Mr R didn't appear to be overindebted. So, I'm satisfied that the checks Barclaycard completed were reasonable and proportionate in the circumstances and it didn't make an unfair lending decision.

Mr R's credit limit was increased several times between opening and September 2015. Barclaycard doesn't have a record of the checks it did each time, and this isn't surprising given the amount of time that's passed since then. Mr R has told us that he was earning about £30,000 by then and, in November 2015 when Barclaycard's data is available, Mr R had credit cards with a balance of around £1,300. There is no information to suggest that Mr R was overindebted or that he had any negative credit information such as defaults or County Court Judgements (CCJs). So I haven't seen anything which makes me think Barclaycard acted unfairly or irresponsibly in providing the credit limit increases up to September 2015.

In December 2015 Mr R's credit limit was increased to £5,000. He was earning around £31,000 and he had credit card balances around £3,000. He had taken on a mortgage and was paying about £580 a month for this. His overall credit commitments not including his mortgage were relatively modest and I don't think either that they were unaffordable or that the increase in credit limit made them so.

In March 2016 Barclaycard increased Mr R's credit limit by £2,000 to £7,000. At this point I think it would have been advisable for Barclaycard to have verified Mr R's income and expenditure. But even if it had, I don't think it would have made a difference to the decision to increase his credit limit. By then, Mr R had had a substantial increase in salary to £43,000 – more than a 30% increase. His external credit commitments minus his mortgage had risen to over £4,000. But I still don't think this meant Mr R couldn't afford a further increase in his credit limit.

A further £2,000 increase followed in August 2016. By now Mr R's credit card balances had increased to £10,000 but given his income it does not seem that there was any reason to consider the increase was not affordable.

Mr R's credit limit remained the same for two years. In September 2018 his credit limit was increased by £800 to £9,800. Although it was only a relatively small increase I think it was clear that his financial circumstances had changed by then to mean that any increase in his credit line was likely to be unaffordable. By now he had credit card balances of over £30,000. He now had an unsecured loan costing £518 a month. His net monthly pay was around £2,800. To sustainably repay his existing credit and his balance with Barclaycard if he used it all, as well as maintain payments for his joint mortgage, would have amounted to close to all Mr R's net monthly pay. So, I don't think Barclaycard should have increased Mr R's credit limit at this point.

However, I don't think Mr R lost out as a result of Barclaycard's decision to increase his credit limit in September 2018. As explained, Mr R didn't use any of the increased credit limit above £9,000, so he couldn't have lost out as a result of being allowed credit above this level.

Putting things right

As I don't think Mr R lost out as a result of anything Barclaycard did wrong in relation to its lending decisions I do not think Barclaycard needs to compensate Mr R.

My final decision

I do not uphold Mr R's complaint about the initial lending and most of the credit limit increases. I do uphold Mr R's complaint about the final credit limit increase in September 2018 but as Mr R did not lose out as a result of that credit limit increase I do not direct Barclays Bank UK Plc trading as Barclaycard to pay any compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 8 December 2022.

Sally Allbeury
Ombudsman