

## **The complaint**

Mr W complains that Barclays Bank UK PLC lent irresponsibly when it approved his credit card and later increased the credit limit.

## **What happened**

Mr W applied for a credit card with Barclays in 2016. Barclays approved the application and gave Mr W a credit card with an initial credit limit of £5000. In July 2017 Barclays increased the credit limit to £7500, and in March 2018 Barclays increased the credit limit to £8000.

Mr W complained that Barclays lent irresponsibly. Barclays didn't uphold the complaint. Mr W brought his complaint to this service.

Our investigator thought that Barclays had carried out reasonable and proportionate checks when the account was opened. But she thought that Barclays had acted irresponsibly when it increased Mr W's credit limit in 2017 and 2018, and said that to put things right, Barclays should refund all interest and charges incurred after the credit limit was increased.

Barclays didn't agree. It said there was no evidence that Mr W was experiencing financial difficulties at the time of the credit limit increase, and that Mr W's debt to income ratio was distorted in March 2018 because two loans overlapped.

## **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 in considering what's fair and reasonable here.

Before agreeing to lend, the rules say Barclays had to complete reasonable and proportionate checks to ensure Mr W could afford to pay the debt in a sustainable way. These affordability checks need to be focussed on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors including the amount of credit, the total sum repayable, the amount of repayments, the cost of the credit and the consumer's individual circumstances.

There's no set list of checks a lender must complete. But lenders are required to consider the factors I've mentioned above when deciding what's reasonable and proportionate.

Barclays says it looked at the information Mr W provided about his employment status, residential status and income. At the time of his application, Mr W declared an annual income of £30,000. Barclays says it verified this income and validated his monthly net income as £1,957. Barclays also carried out a credit check and found no adverse information. From the credit check, Barclays identified that Mr W had unsecured debt of around £6,146 (loan) and £87 (mail order). Barclays assessed Mr W as having monthly

disposable income of around £935 and found the credit card to be affordable for him.

Based on what I've seen, I think Barclays carried out reasonable and proportionate checks before approving the credit card. I don't think there's anything in the information Barclays gathered which would've given cause for concern or warranted further checks to be carried out.

#### Credit limit increases July 2017 and March 2018

Barclays says that before each of the credit limit increases, it obtained validation of Mr W's income. It looked at how Mr W had managed the account and carried out a credit check.

The credit check in July 2017 showed that Mr W's debt had increased from £6,003 to £29,158.

The credit check in March 2018 showed that Mr W's debt had increased from £29,158 to £37,100.

Barclays says that it considered the credit limit increase were affordable for Mr W because:

- Mr W had only exceeded the credit limit once when his payment for December 2016 was late
- There was no history of missed or late payments
- The account balance was repaid in full in June 2017, November 2017 and November 2018
- The credit searches showed no adverse information

I've looked at the information Barclays obtained before the credit limit increases to see if there were any factors which could have caused concern.

It isn't enough for Barclays to consider whether Mr W would be likely to pay back the additional credit, but also the impact this would have on him. Looking at the significant increase in Mr W's debt in July 2017, I think it would've been proportionate for Barclays to ask for further information in order to get a clearer picture of Mr W's financial position. I say this because such a large increase in Mr W's debt would've impacted on Mr W's disposable income and hence his ability to sustainably repay further credit. In the circumstances, I don't think the checks carried out by Barclays before approving the credit limit increase were reasonable and proportionate.

I've also considered whether the checks carried out by Barclays prior to the credit limit increase in March 2018 were reasonable and proportionate. I can see that Mr W's debt had increased further by this time.

Barclays has suggested that Mr W's debt to income ratio has been distorted here because he took out a loan to repay another one. It has also suggested that Mr W might've taken out car finance. I haven't seen any evidence to support this, so it wouldn't be fair to conclude that the debt to income ratio was affected by these factors.

Based on the information I've seen, it's clear that Mr W's debt to income ratio had increased significantly by July 2017. This made it unlikely that he could sustainably repay any further borrowing without being caused financial difficulties or incurring further debt. I don't think Barclays did enough to determine Mr W's financial situation in July 2017. The checks weren't reasonable and proportionate. For this reason, I don't think Barclays acted responsibly when

it increased the credit limit in 2017.

### **Putting things right**

Where credit has been provided where it shouldn't have been, it would be fair and reasonable for the lender to refund any interest and charges paid by the borrower. The borrower would be expected to repay any remaining amount of the funds they were given. So I'd expect Mr W to pay back the funds he was lent, but not the interest or charges. I'd also expect Barclays to remove any adverse information it has reported to the credit reference agencies about this account.

### **My final decision**

Barclays Bank UK PLC should:

Find out how much Mr W would have owed when the credit card account was closed had it not increased the credit limit to £7500 and remove any interest and charges charged because of the increased limit. Barclays should then refund the difference between what Mr W owed when the account was closed and what would have been owed had the credit limit not been increased to £7500.

Barclays should add simple interest at 8% per year on the difference between what Mr W would have owed when the account was closed until he gets the refund.

If - when Barclays works out what Mr W would have owed each month less the extra interest and charges - Mr W paid more than enough to clear the balance, Barclays should pay Mr W simple interest at 8% per year on the extra he paid. It should carry on paying interest until the point when Mr W would've owed Barclays something on the credit card.

Barclays should let Mr W know what it has done to work out what sums he should be paid.

If HMRC requires Barclays to take off tax from the refund of interest, Barclays must give Mr W a certificate showing how much has been taken off if he asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 26 December 2022.

Emma Davy  
**Ombudsman**