

The complaint

Ms F says Barclays Bank UK PLC, trading as Barclaycard, irresponsibly lent to her.

What happened

Ms F applied for a Barclaycard in July 2014. She was approved and given a credit limit of £7,700. In July 2019 this was increased to £9,200.

Ms F says the credit was beyond her income means and Barclays increased the amount without her consent. Barclays disagreed saying it completed affordability and creditworthiness checks before lending.

Our adjudicator upheld Ms F's complaint in part. He thought Barclays' checks were not proportionate, but he did not have the evidence to conclude better checks at the time of application would have led to a different lending decision. He did however have the evidence to conclude that better checks would have meant Barclays did not offer the limit increase in 2019. He set out what Barclays should do to put this right.

Barclays accepted this assessment. Ms F did not and asked for an ombudsman's review. She said as the conclusion was Barclays did not do the correct checks and lent money that she only used to repay other debts, she cannot be held responsible for spending money that she should not have been given.

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/irresponsible lending - including all of the relevant rules, guidance and good industry practice - on our website.

The Financial Conduct Authority (FCA) sets out rules and guidance for lenders to follow – these can be found in their Consumer Credit Sourcebook (CONC). I've reviewed what this required Barclays to do at the time of Ms F's credit card application and limit increase. Before giving Ms F a credit card, Barclays was required to carry out an affordability and a creditworthiness assessment. This meant it had to carry out reasonable and proportionate checks to satisfy itself that she'd be able to make repayments in a sustainable way. These checks weren't just about how likely it was that it would get its money back – it had to focus on whether the repayments would adversely affect Ms F's financial situation.

There was no set list of checks that Barclays had to complete, but it had to make sure the checks it had completed were proportionate in the circumstances. There were a number of factors that might affect how extensive these checks needed to be, such as the type and amount of credit, the customer's financial position, their credit history and other financial commitments.

As credit card accounts are open-ended we also consider the length of time it would have

taken to repay the credit provided, had a consumer used the full limit that was offered from the outset. I've kept all of this in mind when thinking about whether Barclays did what it needed to before agreeing to lend to Ms F. This means in reaching my conclusion I have considered the following questions:

- did Barclays complete reasonable and proportionate checks when assessing Ms F's account application and limit increases to satisfy itself that she would be able to repay the debt in a sustainable way?
- if not, what would reasonable and proportionate checks have shown?
- did Barclays make fair lending decisions?
- did Barclays act unfairly or unreasonably in some other way?

The application in 2014

Barclays has provided evidence showing it asked for details of Ms F's gross annual income from which it calculated her net monthly income (£2,120). It verified her declared income with an external source. It asked about her employment and residential status and says it then modelled her living expenses. It then carried out a credit check to understand Ms F's existing credit commitments and credit history. This showed she had outstanding debt of £3,204, excluding her mortgage, with no history of defaults. From these checks it decided it was fair to lend to Ms F.

I don't think these checks were proportionate given the amount of credit being given. It was a high opening limit and so Barclays ought to have checked Ms F's actual outgoings. I have tried to recreate what better checks would most likely have shown Barclays, in so far as is possible given how long ago the application was. From bank statements it seems her monthly commitments were around £1,265. So it seems Ms F had the disposable income to be able to sustainably afford the card and initial limit, assuming all of the limit was used. This means I don't think Barclays would have made a different lending decision had it carried out proportionate checks.

It follows I can't fairly conclude Barclays was wrong to give Ms F this credit card with its £7,700 limit.

The credit limit increase in 2019

Barclays says it reviewed how Ms F was managing her account – both the spending and her payment history. It then carried out another credit check. This showed Ms F's debt had increased significantly since she opened her account – across both her credit cards/loans and her mortgage. Given this, the time since it had checked her disposable income, and the high limit of £9,200 I don't think these checks were proportionate. I think it ought to have checked at her actual incomings and committed outgoings.

I have looked at her bank statements to get a view as to what better checks would most likely have shown Barclays. This time her outgoings were much higher at around £2,300 a month. And she was persistently overdrawn meaning she would most likely be borrowing to repay this card. So it seems Ms F no longer had the disposable income to be able to sustainably afford a limit increase limit. This means I think Barclays would have made a different lending decision had it carried out proportionate checks.

It follows I think Barclays was wrong to increase Ms F's limit to £9,200.

I have not seen any evidence that Barclays treated Ms F unfairly or unreasonably in some other way.

I am sorry to hear that Ms F is having financial difficulties and that her mental health has been impacted. I note she has been supported recently by relevant teams. And I can see Barclays signposted organisations that can help Ms F by providing debt advice. Ms F has asked that we instruct Barclays to write off all the debt, but our approach in these types of complaints is that the capital should be repaid as Ms F had the benefit of the money she spent. I have set out below the steps Barclays must take, I would remind it of its obligation to treat Ms F fairly and with forbearance, carefully considering her current circumstances.

Putting things right

As I have decided Barclays should not have increased Ms F's credit limit over £7,700 I don't think it's fair for it to charge any interest or fees on any balance that exceeded £7,700.

If Barclays has sold the debt it should first try to buy it back, if that is not possible it must work with the new owner to achieve the same outcome as the steps set out below.

So Barclays should:

- Rework Ms F's account removing all interest and charges that have been applied to balances over £7,700
- If this results in a credit balance this should be refunded to Ms F along with 8% simple interest* per year from the date of each overpayment to the date of settlement
- If this results in there being an outstanding balance remaining Barclays should try to agree an affordable repayment plan with Ms F. I note Ms F has said she cannot afford to make any repayments - she should provide her updated income and expenditure to Barclays to allow it to offer a fair solution.
- Any adverse information recorded on Ms F's credit file after the date of the limit increase should be removed once the balance is cleared.

*HMRC requires Barclays to deduct any tax from any award of interest. It must give Ms F a certificate showing the deductions if she asks for one. If it intends to apply the refund to reduce an outstanding balance it must do so after the tax deduction.

My final decision

I am upholding Ms F's complaint in part. Barclays Bank UK PLC, trading as Barclaycard, must put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms F to accept or reject my decision before 19 December 2022.

Rebecca Connelley
Ombudsman