

The complaint

Mr B has complained that Barclays Bank UK Plc, trading as Barclaycard, irresponsibly lent to him.

What happened

Mr B opened a credit card account with Barclaycard in May 2013. It's not clear what his initial credit limit was but it was raised to £6,500 in October 2015. It was further raised to £8,000 in May 2016 and then again to £9,500 in December 2017.

Mr B eventually defaulted on his credit card. Mr B says that Barclaycard acted irresponsibly by providing him with the credit card and when it increased his limit. He says if Barclaycard had done adequate checks on his situation it would have seen that he wouldn't be able to repay his balance in a reasonable length of time.

Barclaycard says it didn't lend irresponsibly to Mr B and that it did all the necessary checks before it lent to Mr B – and when it increased his credit limit. Barclaycard didn't agree to us looking at the account opening and first credit limit increase because it was out of time under the rules this service has to apply. Our adjudicator agreed that this was the case and explained this to Mr B.

Our adjudicator reviewed the last two credit limits which were in our jurisdiction. They thought that Mr B's complaint should be upheld from the point of the last credit limit increase. On the basis of the information available to them, they thought Barclaycard ought reasonably to have thought there was an indication the credit was unaffordable for Mr B.

Barclaycard disagreed. It said Mr B rarely used more than £8,000 of his credit limit and regularly paid large sums to reduce his debt. It says there was no evidence of financial difficulties until Mr B entered into a debt management plan (DMP).

As Barclaycard disagreed the case has been passed to me to make a 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 I have considered Mr B's complaint.

Barclaycard needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mr B 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 and Mr B's income and expenditure. With this in mind, in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate.

Certain factors might point to the fact that Barclaycard should fairly and reasonably have done more to establish that any lending was sustainable for Mr B. These factors include things like understanding Mr B's income, the total amount Mr B borrowed, and the length of time Mr B had been indebted.

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

As previously explained, I only have the authority to look at the credit limit increases made in May 2016 and December 2017, but the same principles about checks apply here.

In relation to the increase in May 2016, I think Barclaycard collected sufficient information about Mr B's circumstances to allow it to make a reasonable and fair decision to increase Mr B's credit limit. Barclaycard carried out a credit check prior to the increase which showed that Mr B had around £12,500 in active unsecured lending. The credit check didn't show any other issues which might have indicated a cause for concern and Mr B had been maintaining his account well, although he did usually only make the minimum repayment.

Mr B's income was about £30,000 a year at the time. So, repayments on the existing active debt and the proposed increase of £1,500 would likely have been affordable – I don't have any information to suggest otherwise.

However, by the time of the December 2017 increase things had changed for Mr B. Barclaycard's checks showed that Mr B's unsecured debt had increased significantly to nearly £25,000 – almost doubling. This was more than an entire year's net salary for Mr B indicating that he was over-indebted and would have trouble making sustainable repayments on any increased amount.

Barclaycard argues that Mr B rarely used the additional credit it provided and that he sometimes paid off amounts larger than the required minimum repayment. This isn't the point. The sources of the repayments are unknown, but I think – looking at Mr B's overall circumstances including his fixed income and his use of credit elsewhere – it's likely Mr B was making balance transfers from other credit to keep on top of his repayments. Just because Mr B made payments over the minimum I don't think this takes away from the fact Barclaycard understood Mr B was likely overindebted when it increased his credit limit. And the use (or not) of the increased credit limit is reflected in the redress our adjudicator considered Barclaycard should pay.

So while Mr B wasn't missing significant numbers of payments, I think it was clear that Mr B would have been paying a very large proportion of his income each month to meet repayments on unsecured debt. I think if Barclaycard had taken this into consideration it would have been clear that he could not sustainably afford an increase in his credit limit. I think Mr B lost out as a result of Barclaycard's decision to increase his credit limit.

Putting things right

As I don't think Barclaycard should have increased Mr B's credit limit from £8,000, I don't think it's fair for it to charge any interest or charges on any balances which exceeded that

limit. However, Mr B has had the benefit of all the money he spent on the account so I think he should pay this back. Therefore, if my decision becomes final I will direct Barclaycard to:

- Rework the account removing all interest and charges that have been applied to balances above £8,000.
- If the rework results in a credit balance, this should be refunded to Mr B along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement. Barclaycard should also remove all adverse information recorded from 4 December 2017 regarding this account from Mr B's credit file.
- Or, if after the rework the outstanding balance still exceeds £8,000, Barclaycard should arrange an affordable repayment plan with Mr B for the remaining amount. Once Mr B has cleared the outstanding balance, any adverse information recorded after 4 December 2017 in relation to the account should be removed from his credit file.
- If Barclaycard has sold the debt to a third party (which I understand it has), it should arrange to either buy back the debt from the third party or liaise with them to ensure the redress set out above is carried out promptly.

*HM Revenue & Customs requires Barclaycard to deduct tax from any award of interest. It must give Mr B a certificate showing how much tax has been taken off if he asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting tax.

My final decision

I uphold Mr B's complaint in part and direct Barclays Bank UK PLC, trading as Barclaycard, to pay compensation as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 21 December 2022.

Sally Allbeury
Ombudsman