

The complaint

Mr H says Barclays Bank UK PLC trading as Barclaycard ('Barclaycard') irresponsibly lent to him.

What happened

This complaint is about two credit card accounts Barclaycard provided. The accounts were opened in June 2004 and January 2010. On one card the last increase was in August 2012 and in October 2011 for the other card.

Our adjudicator partially upheld Mr H's complaint and thought that Barclaycard ought to have realised Mr H simply wasn't in a position to sustainably repay any further credit by the time it offered the last increases to the cards detailed above. Barclaycard disagreed with our adjudicator, so the complaint has passed to me for 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.

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 H 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 the consumer'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.

But certain factors might point to the fact that Barclaycard should fairly and reasonably have done more to establish that any lending was sustainable for the consumer. These factors include:

- the *lower* a consumer's income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);
- the *higher* the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- the *greater* the frequency of borrowing, and the longer the period of time during which a customer has been indebted (reflecting the risk that prolonged indebtedness may signal that the borrowing had become, or was becoming, unsustainable).

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

It is difficult to assess affordability in this case as Barclaycard hasn't been able to provide much account information from the time of the lending decisions. Mr H has supplied a copy of his credit report but this doesn't provide much useful insight into events prior to 2010. So, I have seen no evidence to support Mr H's testimony that he was in financial difficulty prior to 2010 and so I have no reason to uphold the initial lending decisions that the two credit cards be taken out. So, I will proceed to think about the two credit increases on the cards post 2010.

Mr H has provided us with a copy of his credit report which contains information about the performance of his two Barclaycard accounts, which Barclaycard would have provided to the credit agency. And that information does cover the period prior to the credit limit increases in 2011 and 2012.

Our adjudicator thought that the credit file showed a sustained period of poor management of his accounts prior to the last credit limit increase for both cards, such that those lending decisions were examples of irresponsible lending. I have reviewed the case in its entirety and have reached the same outcome as the adjudicator and for the same reasons.

Our adjudicator set out in some detail why he thought Barclaycard shouldn't have provided Mr H with any further credit from October 2011 onwards. Our adjudicator noted that the consistent state of arrears on Mr H's credit card accounts with Barclaycard prior to the credit increases. So, it seems most likely that Mr H was making no way in reducing his existing balances if he was in arrears on his monthly payments prior to being given more credit.

Barclaycard have not really provided any argument against the findings made by our adjudicator. They have been disappointed that we have found against them on a case they feel they have no data to defend themselves with. But the information I have had submitted to me from the credit agency was itself provided to them by Barclaycard. And Barclaycard has a responsibility to keep information it may need to investigate complaints brought against it.

So, I do not pretend that it is easy to make decisions in cases with little evidence in them. But I am required to reach a decision on cases referred to me, and in so doing I have considered all the submissions made to me in this case. Having done so, I think that Mr H lost out because Barclaycard provided him with further credit on each credit card in October 2011 and afterwards. In my view, Barclaycard's actions unfairly prolonged Mr H's indebtedness by allowing him to use credit he couldn't afford over an extended period of time and the interest being added would only have the effect of putting him into further debt.

It follows that Barclaycard should put things right.

Putting things right

Barclaycard should:

- Rework Mr H's accounts to ensure that from 4 October 2011 onwards interest is only charged on balances up to the total credit limit in place before that date on each account (£3,500 on the account opened first and £5,200 on the second account) to reflect the fact that no further credit limit increases should have been provided. All late payment and over limit fees should also be removed; and

- If an outstanding balance remains on each account once these adjustments have been made Barclaycard should contact Mr H to arrange an affordable repayment plan for that account. Once Mr H has repaid the outstanding balance, it should remove any adverse information recorded on Mr H's credit file from 4 October 2011 onwards for each account.

OR

- If the effect of removing all interest, fees and charges results in there no longer being an outstanding balance, then any extra should be treated as overpayments and returned to Mr H, along with 8% simple interest per year on the overpayments from the date they were made (if they were) until the date of settlement. Barclaycard should also remove any adverse information from Mr H's credit file from 4 October 2011 onwards.†

†HM Revenue & Customs requires Barclaycard to take off tax from this interest. Barclaycard must give Mr H a certificate showing how much tax it's taken off if he asks for one.

My final decision

For the reasons set out, I'm partially upholding Mr H's complaint. Barclays Bank UK PLC trading as Barclaycard should put things right in the way set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 6 February 2023.

Douglas Sayers
Ombudsman