

The complaint

Mr O is unhappy with the service he's received from Barclays Bank UK PLC, trading as Barclaycard, including that Barclays reduced the credit limit on his account.

What happened

Mr O has a Barclays credit account which had a credit limit of £5,500. Mr O received notice from Barclays that the credit limit on his account would be reduced to £1,150. Mr O wasn't happy about this, or with the service he received from Barclays when he spoke with them about the credit limit reduction, and so he raised a complaint.

Barclays looked at Mr O's complaint. They explained that they retained the right to reduce a credit limit on an account if they saw fit, and so they didn't uphold that aspect of Mr O's complaint. However, Barclays did accept that Mr O hadn't received a reasonable standard of service when he'd contacted them about the issue, and they apologised to Mr O for this and made a payment of £25 to him as compensation for any trouble and upset he incurred. Mr O wasn't satisfied with Barclays response, so he referred his complaint to this service.

One of our investigators looked at this complaint. They didn't feel that Barclays had acted unfairly towards Mr O by reducing the credit limit on the account. However, they didn't feel the £25 compensation that Barclays had paid Mr O went far enough in regard to the service issues he'd encountered, and so they recommended that Barclays should pay a further £50 to Mr O in this regard.

Barclays accepted the recommendation put forwards by our investigator. However, Mr O remained dissatisfied, especially as Barclays had reduced the credit limit on his account even further. So, the complaint was escalated to an ombudsman for 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.

I can appreciate how Mr O might be upset at learning that Barclays had taken the decision to reduce the credit limit on his account. However, it must be acknowledged that a credit limit isn't a 'right' that an account holder such as Mr O has, but rather is provided by a credit provider – in this case Barclays – at the continuing discretion of that credit provider.

It's for this reason that the terms and conditions of credit accounts include the provision that the credit provider can reduce the credit limit on an account. And I note that the terms and conditions of the Barclays credit account in question include such a provision as follows:

If we reduce your credit limit based on an assessment of risk or your ability to repay, we have the right to not give you any notice beforehand if we think this would not be appropriate, (However, we may choose to give you up to seven days' notice). We won't reduce your credit limit to less than your total outstanding balance, plus any transactions authorised but not yet charged to your account.

I'm aware that Mr O feels that Barclays haven't provided him with an acceptable reason as to why they've taken the decision to reduce the credit limit on his account. I can appreciate Mr O's frustration here, but credit providers aren't generally expected to provide a detailed account of exactly why they've made such a decision to an account holder.

One reason for this is because if a credit provider were to provide such an explanation, they would in effect be explaining how their creditworthiness and affordability assessments work. And if such information were released into the public domain, then it could be the case that this information could potentially be used by future credit applicants to try to circumnavigate the creditworthiness and affordability checks that the credit provider has in place.

However, as explained, I do appreciate Mr O's frustration at not being provided a clear explanation by Barclays as to why they've reduced the credit limit on his account. As such, I've contacted Barclays who've provided their detailed reasoning for the credit limit reduction to this service. And while I'm not at liberty to disclose this information to Mr O – for the reasons outlined above – I can confirm that having reviewed and considered Barclays explanation that I am satisfied that Barclays have acted reasonably and in accordance with their terms and that they haven't acted unfairly towards Mr O by reducing the credit limit on his account as they have. I hope that it will provide some comfort to Mr O to know that an independent and impartial third party has assessed Barclay's reasoning on his behalf.

Mr O is also unhappy that, after the initial reduction of the credit limit on his account, that Barclays have subsequently reduced the credit limit even further. Again, I can appreciate how this might be upsetting for Mr O, but as explained above, Barclays are entitled to reduce the credit limit to whatever amount they see fit, so long as they do so in accordance with a fair reasoning – which, as per the paragraph above, I'm satisfied that they've done.

Notably, Barclays terms and conditions don't allow them to reduce the credit limit on an account to a level below the present balance of that account. This means that if Barclays intend to reduce the credit limit of an account to a certain amount, but the balance of the account is more than their intended credit limit level, then they can only lower the credit limit to the intended amount in stages, as allowed by the balance of the account. This is what's happened in this instance, and while I can appreciate that Mr O may be unhappy with this, given that Barclays actions are designed to ensure that his account isn't put into a position where the balance exceeds the credit limit, I don't feel that it's unfair.

All of which means that, while I acknowledge that Mr O may not be happy with how events have transpired here, I don't feel that Barclays have acted unfairly or unreasonably towards him in regard to the reduction of the credit limit on his account as he contends. This is because, as explained, Mr O has no 'right' to a credit limit at a set amount, but rather is given a credit limit at the discretion of Barclays, which they are entitled to reduce.

However, in regard to the service aspects of Mr O's complaint, I also don't feel that the £25 compensation that Barclays have paid to Mr O is a fair compensation amount in this instance, given the upset and inconvenience Mr O has incurred because of them.

Matters of compensation can be subjective, but I feel that a payment of a further £50 compensation here – as recommended by our investigator and which Barclays have previously agreed to pay – would provide a more reasonable level of compensation for the impact that the service issues Mr O has experienced has had on him.

And so, my final decision will be that I'm upholding this complaint in Mr O's favour on this limited basis only and instructing Barclays to make a further payment of £50 to Mr O, if they haven't already done so.

I realise this may not be the outcome Mr O was wanting, but I hope he'll understand, given all that I've explained, why I've made the final decision that I have.

Putting things right

Barclays must make a payment of £50 to Mr O if they haven't already done so, so that the total compensation amount payable is increased to £75.

My final decision

My final decision is that I uphold this complaint against Barclays Bank UK PLC on the basis explained above.

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

Paul Cooper
Ombudsman