

The complaint

Mr C complains that Barclays Bank UK PLC trading as Barclaycard ('Barclaycard') irresponsibly gave him a credit card that he couldn't afford.

What happened

In November 2017, Mr C applied for a credit card with Barclaycard. He was given an initial credit limit of £400. The credit limit was increased on 20 August 2018 to £800.

In 2022, Mr C complained to Barclaycard to say that the account shouldn't have been opened for him because it wasn't affordable.

Our adjudicator thought the initial credit provided was not unreasonable but thought the credit limit increase was not reasonable. Barclaycard agreed and has offered to calculate redress if Mr C agreed to this as a fair outcome. Mr C did not agree. So, the complaint passed to me to decide.

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've read and considered the whole file, but I'll confine my comments to what I think is relevant. If I don't comment on any specific point it's not because I've failed to consider it but because I don't think I need to comment on it in order to reach what I think is the right outcome in the wider context. My remit is to take an overview and decide what's fair "in the round".

Barclaycard will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don't consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

Our adjudicator thought the initial credit provided was not unreasonable but thought the credit limit increase was not reasonable. Barclaycard agreed and has offered to calculate redress if Mr C agreed to this as a fair outcome. Mr C did not agree. Mr C thinks the initial lending was not reasonable as he was unemployed and he is unhappy with the partial offer.

So, it is my job to see if I think Mr C is entitled to more redress than he has already been offered. So, I need say no more about the credit limit increase except to say that I agree that that lending decision was unreasonable. So, this decision will now focus on the initial provision of credit in 2017.

Having considered all the submissions made in this case, I don't think that Mr C is entitled to more than he has already been offered. I'll explain why I say that.

The Initial lending decision in 2017

Mr C's complaint is that Barclaycard made credit available that was unaffordable. Barclaycard has explained that it relied in part on information that Mr C provided at the time of application to assess affordability. Whilst Mr C told Barclaycard that he was unemployed, he also told Barclaycard that he had an income of £16,000 a year. Mr C thinks this lending decision was unreasonable because he said he was unemployed.

Barclaycard was entitled to rely on the information Mr C declared to them in the completion of his application. Even so, Barclaycard tested the income by referring it to a credit reference agency that compared the income information with previous applications or, as in this case, obtained satisfactory validation of Mr C's monthly net income from his current account turnover. From that Barclaycard had confirmation that money was indeed coming into Mr C's bank account. Based on the very modest lending that Barclaycard was offering I do not think they needed to look more deeply into Mr C's finances at that time. But had they done so I don't think Barclaycard would have changed their mind about the income for such modest initial lending. I say that because, having seen the bank statements that Mr C has provided, I have noted that they show that Mr C's account enjoyed regular payments made into it.

I have also considered that Barclaycard said they carried out a credit search in Mr C's name to assess his level of debt at that time and to understand how he had been managing that debt. With that information and using their own scoring metric, Barclaycard decided to agree to the credit limit of £400. So, there was some assessment of affordability at the time of the lending decision. And I consider the checks to have been proportionate for such a modest amount of credit.

I say that because the income that Mr C declared and that Barclaycard confirmed, was sufficient to have made affordable the very modest initial credit limit of £400. I say this because the initial credit limit was modest and the maximum monthly payments for that credit would have been relatively modest.

The Barclaycard checks showed that Mr C had only a modest amount of other borrowings compared to his declared income. And I have noted that Barclaycard told us they found no adverse records on Mr C's credit file was very clean at the time of the application. When I say this, I mean that Mr C's management of his existing credit showed no recent history of CCJ's, defaults or any late payments. So, it seemed from the credit file that at the point that the lending decision was made, Mr C was affording his existing credit. And so, Barclaycard were not put on notice of any reason not to agree the lending from that. And so, I don't think that the information that Barclaycard had at the time of the lending decision, would have led them to feel they ought to make more searching enquiries of Mr C's financial situation.

I have to look at the information that was available to Barclaycard at the time it made its lending decisions and not to use hindsight. And I have seen insufficient evidence that the other information that Barclaycard acquired or had presented to it at the time of the lending decision, would have led them to think that the relatively modest credit they were offering was unreasonable.

So, having considered all the submissions made in this case, I have seen insufficient evidence to think that the credit Barclaycard provided to Mr C was unreasonable.

Because I think the initial lending was reasonable, I think the redress should be as below. Barclaycard should put things right on Mr C's account from the time of the increase to the credit limit on 20 August 2018.

Putting things right – what Barclaycard needs to do

Barclaycard should:

- Rework Mr C's Barclaycard account to ensure that from 20 August 2018 onwards interest is only charged on balances up to the total credit limit of £400, (being the credit limit in place before that date) 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 the account once these adjustments have been made Barclaycard should contact Mr C to arrange an affordable repayment plan for these accounts. Once Mr C has repaid the outstanding balance, it should remove any adverse information recorded on Mr C's credit file from 20 August 2018 onwards for the Barclaycard 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 C, 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 C's credit file from 20 August 2018 onwards.†

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

Mr C had suggested a different version of the redress. But for reasons given above I think the initial lending was reasonable and the lending decision in August 2018 was unreasonable. As such, I have seen insufficient reason to depart from our standard redress in such matters.

My final decision

For the reasons set out, I'm partially upholding Mr C'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 C to accept or reject my decision before 2 March 2023.

Douglas Sayers
Ombudsman