

## The complaint

Mr N complains that Barclays Bank UK PLC trading as Barclaycard was irresponsible in its lending to him.

## What happened

Mr N applied for a Barclaycard in September 2017 and was provided with an account with a £6,000 credit limit. The credit limit was increased to £9,000 in August 2018 and then reduced to £5,950 in June 2019.

Mr N says he was making the minimum payments on his card before the credit limit increase and at that time he was utilising his overdraft and had recently applied for another credit card. He says Barclaycard should have realised that increasing his credit limit wasn't responsible given his increasing levels of debt. He said that Barclaycard had accepted that the limit was too high in a letter sent in December 2021 in which it offered him £75 compensation.

Barclaycard said that before providing the credit card it carried out a credit check and asked Mr N about his income. It said that the credit check didn't raise concerns. Mr N was recorded as working with an annual income of £28,000 (around £1,850 monthly). Before the credit limit increase it said it carried out internal checks and assessed credit reference agency data.

Barclaycard sent Mr N a letter in November 2021 following a review of how it had set credit limits. In this letter it said Mr N's limit may have been set too high at the time and it said it would provide a refund of £32.53 and pay him £75 for the distress and inconvenience caused. In its final response letter dated December 2021, Barclaycard said that although the credit limit might have been slightly higher than intended it didn't think in Mr N's case this was irresponsible. It said Mr N had used his credit card for promotional rate balance transfers which would likely have been financially beneficial to him. And he had managed his account well, maintaining payments and not incurring any significant charges.

Our adjudicator considered the information provided by Mr N and Barclaycard. She didn't think that it was reasonable for the credit card to have been provided with a £6,000 limit and so she upheld this complaint.

Barclaycard didn't agree with our adjudicator's view. It said that even taking into account the figures our adjudicator had included the lending wouldn't have been unaffordable. It said that while our adjudicator had noted Mr N's overdraft, it didn't have access to Mr N's account information.

## *My provisional conclusions*

I issued a provisional decision on this complaint. I concluded in summary:

- Before providing the credit card, I thought Barclaycard carried out reasonable checks to assess Mr N's income and credit commitments. I said this because it carried out a

credit check and gathered information about Mr N's employment and income. The credit check showed that Mr N had an outstanding loan with a balance of just over £300 and monthly repayments of £28. He had another credit card with a balance at the time of £1,143 and a bank account with a balance of £745. His credit history didn't raise concerns and I do not find his credit report suggested he was struggling financially.

- Mr N declared an annual income of £28,000 giving a monthly income of £1,850. This monthly earnings figure was then sent to a credit reference agency for validation and was returned with a high confidence factor. Based on the credit report and the other information provided I didn't find it unreasonable that this information was relied on.
- Barclaycard also carried out an assessment of Mr N's expenses. It modelled Mr N's rent, utilities and other essential spending. While this gave an indication of Mr N's living expenses, given the size of the credit limit provided, I thought it would have been reasonable to have asked Mr N about his actual expenses to ensure that the lending was affordable.
- I placed significant weight on the information contained in Mr N's statements as an indication of what would most likely have been disclosed had he been asked about his expenses. These showed that Mr N's rent was higher than Barclaycard had assessed, at £595. Looking at his other committed expenses, Mr N was paying more to his credit card than Barclaycard had factored in but overall, his living expenses (including costs such as utilities, food, travel and payments for his credit commitments) were similar to the amount Barclaycard included in its assessment. Taking the increased rent into account reduced Mr N's disposable income to around £500 a month. Taking these figures into account, I didn't find I could say that had further questions been asked about Mr N's expenses, Barclaycard would have found the credit limit of £6,000 to be unaffordable.
- Around a year after the credit card was provided, Barclaycard increased the credit limit to £9,000. It has said that internal checks were carried out before the limit was increased and credit reference agency information was assessed. I looked at Mr N's credit card statements for the months leading up to the credit limit increase and I saw that he was staying within his limit and making payments. The payments were for the minimum required amount and so while he was managing his account within the terms, only making the minimum payment amounts could suggest that Mr N was struggling to managing his existing borrowing and this, combined with the size of the credit limit increase, I thought meant that Barclaycard should have carried out further checks and verified Mr N's income and expenditure to ensure the additional lending would be affordable.
- I reviewed three months of bank statements prior to the credit limit increase. These showed that Mr N's average monthly income was around £1,770. His regular committed monthly expenditure at the time for his credit commitments (excluding his Barclaycard) and costs such as utilities, insurance food, travel and payments was around £850 a month. Additional to this his rent was £644 giving him total monthly expenses of around £1,500. Considering the payments that would be required on the increased credit limit of £9,000, I didn't find that these should have been considered affordable. I also noted that Mr N was gambling at the time and was spending significant portions of each month in his overdraft.
- I thought that had further checks taken place before the credit limit was increased to £9,000, Barclaycard would have realised this wasn't sustainably affordable for Mr N. Therefore, I partially upheld his complaint.

- Following a review of Mr N's account in June 2019, Barclaycard decided to reduce his credit limit. It explained that this was due to information from the review showing that Mr N had a high level of borrowing along with low repayments to his debts. It said the review showed the amount of credit it could offer at the time was £5,950 and that it took the decision to reduce Mr N's credit limit to this amount when this became possible. It noted that this couldn't happen until Mr N had been able to reduce his balance to an amount under the new credit limit. Having considered the information available, I found this reasonable. I accepted that it wouldn't be in Mr N's interest to have a limit reduced to an amount lower than his outstanding balance and accepted that Barclaycard wasn't acting unfairly or reasonably by reducing the limit when possible given the results of its review.

Mr N responded to my provisional decision. He said that when his credit limit was increased his financial situation deteriorated as he was paying more to Barclaycard and other payments were not met meaning he was taking out more debt. He said he took out a loan from another bank and paid this to Barclaycard to reduce his balance. Shortly after this his credit limit was reduced. He said following the limit decrease his account was defaulted. He thought that any adverse credit information should be removed from his credit file from the point of his credit limit increase and not just for the period in which the higher credit limit applied. He said the decision to increase his credit limit resulted in ongoing issues even after the limit was reduced.

Barclaycard didn't provide any new information in response to my provisional 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.

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.

As I set out in my provisional decision, I think further checks should have taken place before Barclaycard provided Mr N with a credit card with the initial credit limit of £6,000. However, having looked at the evidence provided, I do not find that had this happened, Barclaycard would have found the lending unaffordable. Therefore, I do not find that Barclaycard was wrong to provide Mr N with the credit card in September 2017.

I do not think that the credit limit on Mr N's credit card should have been increased in August 2018 to £9,000. As I said in my provisional decision, I think further checks should have been carried out before the credit limit was increased and had these happened, I think Barclaycard would have realised the additional lending wasn't affordable.

Mr N's credit limit was reduced in June 2019 following a review which Barclaycard has said showed, based on its lending criteria the limit it could offer was £5,950. I have looked at the information provided from around this time and can see that Mr N paid £6,000 towards his Barclaycard account in June 2019 reducing the balance to just below £3,000. While I note Mr N's comments about borrowing from elsewhere, his balance at that time was significantly below the reduced credit limit applied. I find it reasonable that his credit limit was reduced at a time when this didn't put Mr N into financial difficulties and noting that he kept his balance at around £3,000, making the minimum repayments, for the next few months before making a further substantial payment, I do not find I can say that the limit at that time was unaffordable for him.

Mr N exceeded his credit limit in February 2020 but as this was a number of months since the limit reduction, which, on balance I find reasonable. So, I do not find I can say that Barclaycard is required to refund interest for balances beyond the credit limit reduction or to remove any adverse information from Mr N's credit file for this period.

While I understand that this isn't the outcome Mr N wants, I find that Barclaycard is only required to take action in regard to the period of the unaffordable lending which I consider to be from the credit limit increase in August 2018 to the credit limit reduction in June 2019.

### **Putting things right**

As I don't think Barclaycard should have increased Mr N's credit limit from £6,000, I don't think it's fair for it to charge any interest or charges on any balances which exceeded that limit. However, Mr N has had the benefit of all the money he spent on the account so I think he should pay this back. Therefore, Barclays Bank UK PLC trading as Barclaycard should:

- Rework the account removing all interest, fees, charges and insurances (which have not already been refunded) that have been applied to balances above £6,000.
- If the rework results in a credit balance, this should be refunded to Mr N along with 8% simple interest per year\* calculated from the date of each overpayment to the date of settlement.
- As Mr N's credit limit was reduced to £5,950 in June 2019, there should be no balance amount over the £6,000 noted above and so any adverse information recorded after August 2018 until the limit reduction in June 2019 in relation to the account should be removed from Mr N's credit file.

\*HM Revenue & Customs requires Barclaycard to deduct tax from any award of interest. It must give Mr N 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 the tax.

### **My final decision**

My final decision is that I uphold this complaint. Barclays Bank UK PLC should take the actions set out above in resolution of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 15 February 2023.

Jane Archer  
**Ombudsman**