

The complaint

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

What happened

Mr D opened a credit card account with Barclaycard in 2012 with an initial credit limit of £400. His credit limit was increased several times over the course of the agreement. Mr D 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 D and that it did all the necessary checks before it lent to Mr D – and when it increased his credit limit. Barclaycard didn't agree that this service could look at Mr D's complaint as it said he'd brought it out of time under the rules we have to apply.

Our adjudicator agreed that we couldn't look at much of the lending. But we could look at the last credit limit increase applied in February 2016. So this decision only relates to that credit limit increase.

Our adjudicator thought that Mr D's complaint about that credit limit increase should be upheld. 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 D. Barclaycard disagreed. It said that Mr D had been able to pay off a large amount of external credit shortly after that increase, intimating that he had access to other funds. It argued, among other things, that this showed that the credit it provided to Mr D must have been affordable.

Our adjudicator explained why they didn't think Barclaycard's rebuttal made a difference. As Barclaycard still 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 D'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 D

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 D'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 D. These factors include things like understanding Mr D's income, the total amount Mr D borrowed, and the length of time Mr D 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 I have explained, I am only looking at the last credit limit increase. Mr D's credit limit was increased from £4,000 to £7,000.

I think this was a significant increase and that Barclaycard should have made sure Mr D was able to sustainably repay it if he used the full credit available to him.

Barclaycard said it did this by looking at data supplied by Transunion – a credit reporting agency – and by looking at Mr D's history of repayments on the credit card to date. I don't think this was sufficient for Barclaycard to be confident Mr D could afford the increase in credit. I think it ought to have done more checks; at the very least it ought to have made checks on Mr D's income and expenditure.

Mr D's sole income was from a state pension and pension credits. Mr D's bank account was with Barclays, so it had easy access to information about Mr D's financial circumstances. Mr D has provided copies of his bank statements from February 2016, and I can see that he had a monthly income of around £920. Taking into account his regular monthly commitments and the very minimum he would have had to pay towards his existing credit card commitments to sustainably repay those debts, he would have had a disposable income of around £261 a month. This hasn't taken into account payments he made to a catalogue shopping account or for food. There is also no payment for council tax and I think this is likely to be because if Mr D paid in instalments they would have been made over 10 months of the year, with no payments in February or March.

The bank statements show that Mr D was in his overdraft for 17 days of the month. At the end of the month, he was overdrawn by £484, with an overdraft limit of £500. His other bank statements show a similar pattern of being in overdraft more often than in credit.

I think this shows that Mr D was unlikely to be able to make sustainable repayments on the additional borrowing. The information about Mr D's day-to-day income and expenditure was within easy reach for Barclaycard. With that in mind, I think reasonable and proportionate checks are likely to have demonstrated that Mr D would not have been able to make his repayments sustainably over a reasonable period of time on the increased credit limit.

Barclaycard has told this service we should investigate how Mr D was able to pay off a substantial amount of external debt which showed up on its credit checks a few months later. It says that Mr D must have had access to other funds elsewhere, which might mean its decision to increase his credit limit was acceptable. There is some dispute as to whether this was an incorrect entry on the credit data as Mr D has no knowledge of the sum concerned or how it was allegedly paid off, and he provides some evidence to support this.

This matter of the repayment is a red herring. It has no relevance to my decision, and it is disappointing to see Barclaycard suggest that an event several months after its decision to increase the credit limit has any bearing on that decision. Even if Mr D had paid off a substantial sum – which he says he does not remember doing - this could have come from any source – an inheritance, a gift, or even a lottery win. I have seen no evidence to suggest Mr D had additional resources hidden elsewhere in February 2016 which might be relevant to Barclaycard's decision to lend to him. The simple fact is, if Barclaycard can't identify where those funds came from, it couldn't possibly suggest it used its knowledge of them to support its decision to lend to him in the first place. And if the credit data Barclaycard used was incorrect, this is not Mr D's fault – I still think that even if he wasn't making regular payments to that external credit card he could not afford the additional borrowing Barclaycard gave him.

I think Barclaycard didn't act fairly when it increased Mr D's credit limit because it didn't make appropriate and proportionate checks to ensure he could repay it sustainably. I think Mr D lost out as a result.

Putting things right

As I don't think Barclaycard should have increased Mr D's credit limit from £4,000 to £7,000, I don't think it's fair for it to charge any interest or charges on any balances which exceeded that limit. However, Mr D has had the benefit of all the money he spent on the account so I think he should pay this back. Therefore, I direct Barclaycard to:

- Refund all the interest and charges Mr D has paid on balances above £4,000
- If the borrowing is still in place, Barclaycard should reduce the outstanding balance by the amount calculated in the step 1 above.
- If, after step 2, there remains an outstanding capital balance, Barclaycard should ensure that it isn't subject to any future or historic interest and/or charges. But if step 2 lead to a positive balance, the amount in question should be given back to Mr D and 8% simple interest* should be added to the surplus.
- Barclaycard should remove any adverse information recorded on Mr D's credit file as a result of the interest and charges.

*HM Revenue & Customs requires Barclaycard to deduct tax from any award of interest. It must give Mr D 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 D's complaint and direct Barclays Bank UK Plc trading as Barclaycard to pay compensation as described above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 1 March 2023.

Sally Allbeury

Ombudsman