

The complaint

Miss P says Barclays Bank UK PLC trading as Barclaycard lent to her irresponsibly and it failed to provide her with the necessary support when she experienced financial difficulties.

What happened

The facts of the complaint are well known to both parties, so I will only provide a summary of the key points.

Miss P opened a credit card account with Barclaycard in May 2012, with an initial credit limit of £3,600. In August 2013, Barclaycard proactively increased Miss P's credit limit to £5,400.

In February 2014, Barclaycard reduced Miss P's credit limit to £5,100, and in October 2014 Miss P began to spend beyond her agreed credit limit. In September 2015 Miss P missed payments towards her credit card balance. Miss P says she was in financial difficulties from August 2014 onwards and the persistent debt on her account meant she had paid more in interest and charges than she had to the principal balance. Miss P says Barclaycard didn't provide support until 2019, and it should've acted sooner given the persistent debt on her account.

In June 2019 Barclaycard and Miss P entered into a reduced repayment plan. Miss P raised a complaint as she says she was given incorrect information about the interest that would be applied. Barclaycard reviewed Miss P's concerns and issued a final response letter in November 2020 making a goodwill offer and waiving interest charges.

Miss P remained unhappy with how Barclaycard had treated her and referred a complaint to our service. An Investigator reviewed the complaint and found that Barclaycard had lent to her responsibly and treated her fairly when she experienced financial difficulty and persistent debt.

Dissatisfied with the outcome reached by the Investigator Miss P asked for her complaint to be reviewed by an ombudsman for a final decision to be issued.

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.

Miss P and her representative have provided detailed submissions to our service. In keeping with our role as an informal dispute resolution service and as our rules allow I will focus here on the points I find to be material to the outcome of Miss P's complaint. I understand this complaint has been a source of worry for Miss P. But based on the evidence I have seen I am not upholding the complaint. I'll explain why.

Miss P's complaint can broadly be divided into two main parts – her concerns around irresponsible lending, and Barclaycard's failure to act with forbearance when she experienced financial difficulties. I will address each part in turn.

Irresponsible lending

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 considering Miss P's complaint. I know this will come as a disappointment to Miss P, but having done so, I've come to the same conclusion as our investigator. I'll explain why.

Barclaycard needed to take reasonable steps to ensure it didn't lend irresponsibly. In practice this means that it should have carried out borrower focused checks which were proportionate to make sure Miss P could afford to repay what she 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, Miss P's borrowing history and her income and expenditure. But there isn't a set list of checks a lender is required to carry out, it just needs to ensure the checks are proportionate when considering things like: the type and amount of credit being provided, the size of the regular repayments, the total cost of the credit and the consumer's circumstances.

Miss P was provided with the credit card in May 2012 with a limit of £3,600. Barclaycard has provided information about the checks it carried out at the time of the application – this included obtaining details about Miss P's circumstances at the time and data from credit reference agencies (CRA). Barclaycard says this data didn't reveal anything of concern, and having reviewed it, I agree. Miss P was employed with an income of £16,000, and she had an existing credit card which she was managing well, with only one missed payment. Barclaycard was required to carry out borrower focused checks, and in this instance Miss P's details didn't prompt it to carry out a more in-depth review. This was reasonable given the information it had gathered didn't present any obvious areas of concern.

Miss P says the information gathered by Barclaycard at this stage wasn't tested or explored further. Miss P says if it had been Barclaycard would've seen that Miss P was regularly in her overdraft and her debt was growing. I understand Miss P's financial situation may not have been as simple as the information gathered by Barclaycard suggests. But the key issue I must consider is whether Barclaycard gathered enough information, and if that information flagged any issues, were these further explored. In Miss P's case I am satisfied Barclaycard had no reason to think Miss P wouldn't be able to sustainably meet the card repayments.

Miss P's limit was increased by Barclaycard in August 2013 to £5,100. This was a significant increase and while I note Barclaycard has said Miss P could have opted out of the increase, it was still Barclaycard's responsibility to ensure that the additional lending was sustainably affordable for Miss P. The starting point would be to consider Miss P's ability to manage her existing limit. I have looked at Miss P's credit card statements for the months leading up to the increase and can see that she was managing her account well. The balance was within the credit limit and she was making the required monthly repayments. Although Miss P had used the card for balance transfers, she wasn't using the full limit available to her. There were also no signs of Miss P using the credit card account in a way not intended, or her struggling financially, in the lead up to the limit increase. For example, I can't see any gambling activity or a significant reliance on the account for day-to-day spending. Therefore, I do not find that her account management raised concerns that meant an increase shouldn't be considered.

Barclaycard says it received data from a CRA before it approved this credit limit increase which it then matched against its lending criteria. Barclaycard says this data suggests there were no known indications Miss P would struggle with her new limit and the likelihood of her defaulting on payments was very low. The data isn't particularly detailed, but it didn't present any areas of concern. If it had, I would've expected Barclaycard to ask further questions. But given Miss P's activity on her account and the CRA data, I think these checks were focused and proportionate. So, I am satisfied Barclaycard took adequate steps to check the increase was appropriate for Miss P.

Miss P has highlighted that she had a growing reliance on credit over time and I can see her overall indebtedness had increased at the time Barclaycard increased its limit. However, the key question is whether the increased limit would make meeting the commitments Miss P had unsustainable. Given the information available to Barclaycard at the time I don't think it was. Overall, it appeared that Miss P was generally managing her finances without showing any obvious signs of struggling.

Miss P's credit limit was reduced to £5,100 in February 2014. At this stage Miss P had begun to exceed the limit on her card and miss payments. This indicated that Miss P was beginning to struggle with maintaining her repayments, and Barclaycard took pro-active steps here to limit the impact of this by reducing the balance.

Financial hardship and persistent debt

In June 2014 Miss P reached out to Barclaycard to explain her employment contract had ended. Miss P asked what her options were in relation to her card repayments. Barclaycard responded acknowledging her situation and explained Miss P could contact its customer guidance unit who would be able to discuss Miss P's options. I can't see that Miss P contacted this team and at this stage she was still managing to meet the minimum repayments on the card. However, I can see by October 2014 Miss P was exceeding her limit regularly and Barclaycard would suspend use of the card until the account was brought back in order. This is the type of action lenders were expected to take at the time as it limited excessive spending.

The Financial Conduct Authority's (FCA) persistent debt rules came into effect in September 2018 and are set out on the FCA handbook, CONC 6.7.27. They say (in summary) that firms such as Barclaycard must look at the accounts of borrowers to ensure they're reducing their debts and therefore, not paying too much interest. And so – where a borrower is paying more in interest and fees than they are paying towards reducing the amount of the debt, then a repayment plan should be put in place to deal with this. And, where this can't be agreed, the card may be suspended – to stop customers from increasing their debts further. The intention of the rules is to ensure that customers are protected from paying too much interest – and in some cases, never actually clearing the principal amount.

Looking at the account statements it is clear Miss P's account was in persistent debt when this guidance came into effect. Barclaycard has provided evidence to show it communicated clearly with Miss P about her account being in persistent debt, and it took steps to provide her with tailored support. This included payment plans, the removal or reduction of interest charges and regular communication about the status of Miss P's account.

In June 2019 Barclaycard and Miss P entered into a reduced repayment plan. Miss P says she was informed no interest would be applied to her account whilst she was in the repayment plan, yet interest had been applied for October 2019. Barclaycard explained that interest was correctly applied, but in February 2020 Barclaycard changed its process which meant interest would be removed from the plan. Barclaycard apologised for any confusion and paid Miss P £25 as a gesture of goodwill. It also removed interest that as applied to Miss

P's account from July 2019 to January 2020. It also refunded the interest applied in October 2020. I think Barclaycard acted fairly here and took adequate steps to address the confusion Miss P experienced. So I wouldn't expect it to take any further action here.

Overall, I'm satisfied Barclaycard followed the relevant guidance for customers in financial hardship and persistent debt. I understand Miss P's financial situation was deteriorating over time, but the steps taken by Barclaycard were reasonable and in keeping with industry guidance. So overall and having considered everything, I don't think that Barclaycard has treated Miss P unfairly and I'm not upholding this complaint. I appreciate this will be very disappointing for Miss P and her representative as they clearly feel strongly about the matter. But I hope they'll understand the reasons for my decision.

My final decision

My final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss P to accept or reject my decision before 31 March 2023.

Chandni Green
Ombudsman