

The complaint

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

What happened

Mr S opened a credit card account with Barclaycard in July 2012. It's not clear what his initial credit limit was – possibly £10,000 - but it was raised to £12,000 a few months later in November 2012. In June 2015 it was increased to £15,000 and in January 2017 there was a further increase to £16,000.

Mr S defaulted on his credit card in 2017. Mr S says that Barclaycard acted irresponsibly by providing him with the credit card and when it increased his limit. He says he had a low income and was unable to afford the repayments. 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 S and that it did all the necessary checks before it lent to Mr S – and when it increased his credit limit.

Our investigator thought that Mr S's complaint shouldn't be upheld. On the basis of the information available to them, they didn't think Barclaycard ought reasonably have thought there was an indication the credit was unaffordable for Mr S, either at the point of account opening or at the point of the later credit limit increases.

Mr S disagreed. He said he was on a low income and was heavily indebted elsewhere and that if Barclaycard had made sufficient checks it would have realised he couldn't afford the credit.

As Mr S disagreed the case was passed to me to make a decision. When I reviewed the case I came to a different conclusion. I thought that Barclaycard shouldn't have increased Mr S's credit limit beyond £12,000. I proposed a settlement which was agreed by both parties.

Since that settlement was agreed, Mr S has reported that he has had difficulty communicating with Barclaycard and that he is not satisfied with the way Barclaycard has calculated what is due to him.

This service does not have a role in calculating settlement payments. And Mr S hasn't explained what he thinks was wrong with the way Barclaycard calculated the amount. To provide Mr S with an enforceable decision, I have completed a final decision with replicates my findings in my informal 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.

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 S'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 S 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 S'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 S. These factors include things like understanding Mr S's income, the total amount Mr S borrowed, and the length of time Mr S 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.

The account was opened over ten years ago, so it is not surprising that Barclaycard doesn't have a record of the checks it completed at the time – or of the checks it conducted relatively early in its lending relationship with Mr S. Mr S hasn't been able to provide any records of his financial situation at the time either, so I don't have any evidence to suggest that the original lending decision wasn't fair or that the credit wasn't affordable for Mr S. Similarly, I don't have any evidence to suggest that the credit limit increase to £12,000 in November 2012 was unaffordable either. I have seen copies of Mr S's credit card statements from around this time and there is nothing to alert Barclaycard that Mr S might have had trouble meeting his repayments. He had used a 0% balance transfer facility, making five transfers in the first month, and was making minimum repayments on the balance. He didn't generally use the credit card for purchase transactions, although he did use the card to transfer cash sums to another account.

However, in June 2015 Barclaycard increased Mr S's credit limit from £12,000 to £15,000. Again, I don't have a copy of any of the checks Barclaycard made. These start a few months later in October 2015. But I don't think Mr S's financial situation would have changed significantly for the better in those months, so I think it's reasonable to consider that those checks give a good picture of Mr S's financial situation in June 2015.

Those checks showed that Mr S had external credit card debt of about £17,000 as well as loans totalling around £18,000 (not including Mr S's mortgage). Mr S has told us that his monthly net income in 2015 was no more than £1,350 and that for six months of 2015 (which had to overlap with the credit limit increase in June 2015) he was on a three day week taking home only about £850. Mr S's existing credit (not just available credit) amounted to over two years' net income for Mr S.

I think this information alone ought to have prompted Barclaycard to verify Mr S's income and expenditure before it increased his credit limit. Again, I don't have detailed information about Mr S's circumstances at the time other than what Mr S has told me – that he was paying at least 50% of his income each month just to meet his minimum repayments on his debt. I can also see from his Barclaycard statements that he was continuing to only make minimum repayments even though his 0% interest period had expired. And Mr S had used the card to transfer cash elsewhere – an expensive way to access cash and likely used to

service debt elsewhere. In the month before the credit limit increase Mr S paid to make two transfers to his bank for a total of £6,000 – over four months income for Mr S.

So while Mr S wasn't missing payments anywhere, I think it was clear that Mr S would have been paying a very significant proportion of his income each month to meet repayments on unsecured debt. I think if Barclaycard had asked Mr S about his income and expenditure it would have been clear that he could not sustainably afford an increase in his credit limit. I think Mr S lost out as a result of Barclaycard's decision to increase his credit limit.

Putting things right

As I don't think Barclaycard should have increased Mr S's credit limit from £12,000, I don't think it's fair for it to charge any interest or charges on any balances which exceeded that limit. However, Mr S 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:

- Rework the account removing all interest and charges that have been applied to balances above £12,000.
- If the rework results in a credit balance, this should be refunded to Mr S along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement. Barclaycard should also remove all adverse information recorded from 1 June 2015 regarding this account from Mr S's credit file
- Or, if after the rework the outstanding balance still exceeds £12,000, Barclaycard should arrange an affordable repayment plan with Mr S for the remaining amount. Once Mr S has cleared the outstanding balance, any adverse information recorded after 1 June 2015 in relation to the account should be removed from his credit file.
- If Barclaycard has sold the debt to a third party, it should arrange to either buy back the debt from the third party or liaise with them to ensure the redress set out above is carried out promptly. Barclaycard has explained that the debt was sold on, so the latter option is most likely.

*HM Revenue & Customs requires Barclaycard to deduct tax from any award of interest. It must give Mr S 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 S's complaint in relation to the increase in credit limit above £12,000. I direct Barclays Bank UK PLC to pay compensation as described above.

If Mr S is unhappy with the way this is approached by Barclays Bank UK PLC then he must liaise directly with the business or seek enforcement of this decision through the courts. This service cannot help him any further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 21 March 2023.

Sally Allbeury
Ombudsman

