

The complaint

Miss O has complained that Barclays Bank UK PLC ("Barclays") acted irresponsibly by providing her with an overdraft and increasing her limit. She says the lending has caused her severe detriment as she hasn't been able to pay back the overdraft.

What happened

In May 2016 Miss O held a student account with Barclays that came with an interest free overdraft facility with a limit of £1,000. In October this was increased to £1,500 and then £2,000 in March 2017.

Miss O complained to Barclays that the lending was irresponsible and unaffordable for her as she was a student with no history of credit.

Barclays said as a student Miss O benefited from an interest and fee free overdraft and that it wasn't unusual for an account of this type to operate with an overdrawn balance. And in the last six years Miss O has not incurred any overdraft interest on the account apart from a small number of unpaid fees. Barclays say that at the time Miss O's overdraft limit was increased she was sent letters confirming the terms and that if she had any concerns it would've expected her to raise them sooner.

Miss O was dis-satisfied with this and brought her complaint to this service.

One of our adjudicators looked at this complaint and didn't think Barclays should've increased the overdraft limit to £2,000 in March 2017 as if it had carried out a proportionate check it would of likely seen that Miss O was having problems managing her money as she hadn't seen or maintained a credit balance for an extended period of time. They thought Barclays should refund additional interest, fees and charges applied as a result of the overdraft limit increases from March 2017.

Barclays agreed with our adjudicators view and agreed to:

- Refund the charges applied to Miss O's account which total £48.
- To arrange for its Financial Assistance Team to make contact regarding the repayment of the account which overdrawn balance was currently £1,949.92.

Barclays confirmed that there is no adverse data reported on Miss O's credit file.

Miss O didn't wish to accept this offer. She says her complaint related to the entire overdraft and not just the final £500 increase that took place. She says the overdraft debt has caused her mental distress for years and at no point did Barclays reach out to set up a payment plan or assess her financial needs. She wants to be compensated for the distress caused and have some of her overdraft written off and has asked for an ombudsman's 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.

Having carefully considered everything, I think that what Barclays has already agreed to do to put things right for Miss O is fair and reasonable in all the circumstances of his complaint. I'll explain why I think this is the case.

It might help for me to start by explaining that where a business accepts (or we decide) it did something wrong, we'd expect the business to put the consumer in the position they would be in if that wrong hadn't taken place. And in an ideal world, we'd tell a business to put a consumer in the position they'd now be in if they hadn't been given the credit they shouldn't have. But for complaints about funds which shouldn't have been provided this isn't straight forward as the funds were provided and, in most cases – such as here, have long since been spent.

So we look to try and find some other way to put things right. And where a business increases or continued to allow a consumer to use a credit facility which it should have realised was unsustainable, we'd typically expect it to put the consumer in the position they'd be in now if they hadn't paid any further interest and charges on that credit. This means we'd normally expect a lender to refund the interest and charges added to any credit from the point the lender ought to have realised it was unsustainable. And if those interest and charges were paid also add 8% simple interest per year.

In this case after reviewing Miss O's statements, I'm in agreement with our adjudicator that by March 2017 it was evident Miss O wasn't managing her overdraft in a sustainable way and it shouldn't have agreed to further increase her limit. As although Miss O's statements show that Miss O was able to pay off her overdraft briefly in January 2017, I can see that this was due to the receipt of student loan payments and that by March she was right at the top of her overdraft limit and the level of credits she'd previously received into her account appear to be reduced. If Barclays had carried out a proper review of her statements, I think it ought to have realised it was unlikely Miss O would be able to sustainably repay the extra lent within a reasonable period of time.

Barclays has agreed to settle Miss O complaint in-line with this finding and Miss O will be left with an outstanding balance, once all adjustments have been made, and she's been 'refunded' all of the interest, fees and charges caused by the overdraft facility. So while Miss O will be left with a balance and she might be unhappy with this, Barclays has agreed to do what I'd normally expect it to do here.

That said, we do look at each case individually and on its own particular merits. And while we have a general approach to how we might tell a lender to put things right where it continued to provide credit it shouldn't have (such as here), we can and will tell it to do something different or something more if there's a strong reason to say that's what would be fair and reasonable to do in the circumstances of that individual case.

Miss O says Barclays should do something different here. She says Barclays should refund the fees charged on the entire overdraft – and not just the last limit increase. But Barclays has confirmed that in the past six years it hasn't charged any overdraft interest – so there is nothing further to refund here. Indeed, the £48 Barclays has agreed to refund relate to other charges such as unpaid transaction fees.

Miss O says the irresponsible lending has taken a toll on her mental health and wishes to be compensated for this. But this is a reason for upholding her complaint rather than a reason for departing from our normal approach to putting things right such as hers.

Barclays confirmed that no interest or fees were charged for the use of Miss O's overdraft and has agreed to refund related fees. So what Miss O will be left with to repay are the funds which she used and benefitted from. I understand Miss O would like some of her overdraft written off, but given that she spent this money without being charged for it and the borrowing hasn't impacted her credit file, I think it's perfectly fair and reasonable to expect Miss O to repay these funds. And I don't think that Miss O's unhappiness at having a balance to repay on her overdraft, even after her complaint has been upheld, is in itself a compelling reason for me to depart from our usual approach here.

Bearing in mind all of this, I'm satisfied that what Barclays has already agreed to do to put things right for Miss O is fair and reasonable in all the circumstances of her case and I'm not requiring it to do anything more. As this is the case, it's up to Miss O to decide whether she wishes to accept Barclays' offer.

My final decision

For the reasons I've explained, I'm satisfied that what Barclays Bank UK PLC has already agreed to do to put things right for Miss O is fair and reasonable in the circumstances of this case. So I'm not requiring it to do anymore.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss O to accept or reject my decision before 16 March 2023.

Caroline Davies
Ombudsman