

The complaint

Mr C complains that Barclays Bank UK PLC trading as Barclaycard lent irresponsibly when it approved his credit card application and later increased the credit limit on two occasions.

What happened

In May 2016 Mr C successfully applied for a credit card with Barclaycard. In his application, Mr C said he was self employed earning around £23,000. Figures setting out Mr C's regular income and expenditure were taken showing he had around £85 a month remaining. Barclaycard approved a credit limit of £3,800.

In April 2017 Barclaycard increased the credit limit to £5,000 and in June 2018 it was increased to £5,500.

Last year Mr C complained that Barclaycard had lent irresponsibly. Barclaycard didn't agree it had made mistakes when approving the application or increasing Mr C's credit limit and didn't uphold his complaint.

An investigator at this service looked at Mr C's case. They said that we couldn't consider Mr C's complaint about the original credit card application because of the time limits noted in our rules. But the investigator didn't think Barclaycard had acted fairly when increasing the credit limit. The investigator upheld Mr C's complaint and asked Barclaycard to refund all interest and charges applied from April 2017 above the original £3,800 credit limit.

Barclaycard asked to appeal, so Mr C's complaint 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.

Before agreed to lend to Mr C or increasing the credit limit under an existing agreement, Barclaycard needed to check he could afford to meet repayments out of his usual means, within a reasonable period of time, without having to borrow further and without experiencing financial difficulty or other adverse consequences. Barclaycard needed to ensure the repayments were sustainable for Mr C. The checks needed to be proportionate to the nature of the credit (for example, the amount offered) and Mr C's circumstances.

As our investigator has already confirmed, the time limits in our rules mean we can't look at the original application in May 2016. So I'm not going to make a decision concerning whether Barclaycard lent irresponsibly or not when the credit card application was approved.

I've looked at the credit limit increase in April 2017. Having done so, I agree with the investigator that Barclaycard failed to carry out reasonable and proportionate checks before increasing the credit limit. And I think that, had it done so, Barclaycard wouldn't have increased the credit limit as it did. I'll explain why.

Barclaycard took information from Mr C concerning his income and expenditure in May 2016. In addition, Barclaycard completed a credit search and continued to monitor Mr C's credit file after the account was opened. Whilst I'm not looking at the original application, the information provided within it was less than 12 months old when Barclaycard increased the credit limit. The application information showed Mr C had a limited disposable income of around £85 a month. So I think Barclaycard needed to take extra care when increasing the level of debt available as there was only limited capacity to repay further borrowing sustainably and afford day to day living expenses.

There's no set list of checks a lender has to complete. Barclaycard had various options available, including looking at Mr C's bank statements or verifying his income. We've got copies of Mr C's statements on file and they show income figures received in the months before the credit limit was increased in April 2017 to be significantly below the figure noted in the original application. The available information indicates Mr C was receiving less than his outgoings when Barclaycard increased his credit limit to £5,000.

In my view, had Barclaycard carried out better checks it wouldn't have approved the credit limit increase in April 2017 as it would've most likely found Mr C wasn't in a position to sustainably repay further borrowing.

It follows that if I think the first credit limit increase was unreasonably approved, I think the same about the one that followed in June 2018. By this time, the income and expenditure information Barclaycard had from the original application was over two years old. And Mr C's regular payments to service his existing debts had increased. In addition, Mr C's credit file shows he took out another credit card between April 2017 and June 2018, potentially increasing his total outstanding debt further. I think these should've all been signs that Barclaycard needed to complete further checks before deciding whether to approve another credit limit increase.

In much the same way as the first credit limit increase, I'm satisfied that if Barclaycard had carried out better checks by, for example, verifying Mr C's income or looking at his bank statements, it wouldn't have approved further borrowing in June 2018. In my view, the available information indicates the credit limit increase approved in June 2018 wasn't affordable for Mr C.

As I'm satisfied Barclaycard lent irresponsibly when it approved credit limit increases in April 2017 and June 2018 I'm upholding Mr C's complaint.

My final decision

My decision is that I uphold Mr C's complaint and direct Barclays Bank UK PLC trading as Barclaycard to settle as follows:

Rework Mr C's account to remove all interest, fees and charges applied on balances over £3,800 from April 2017 onwards; and

- If the effect of these reworkings results in a credit balance on the account, then this should be refunded to Mr C along with 8% simple interest* on the overpayments from the date they were made to the date of settlement. In this case, Barclaycard should

remove any adverse information reported on Mr C's credit file about this account after the first increase was applied; or

- If an outstanding balance remains on this account once these adjustments have been made Barclaycard needs to ensure that Mr C is only liable for this adjusted balance and arrange an affordable repayment plan with him. Once Mr C has cleared the outstanding balance, any adverse information recorded about this account after the first increase was granted should be removed from his credit file.

* HM Revenue & Customs requires Barclaycard to take off tax from this interest. Barclaycard must give Mr C a certificate showing how much tax it's taken off if he asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 25 April 2023.

Marco Manente
Ombudsman