

The complaint

Mr P's complaint is that Barclays Bank UK PLC irresponsibly provided him with two loans.

What happened

Barclays approved Mr P with the following two loans:

Loan	Date of loan	Capital amount	Term (months)	Monthly repayments	Total repayable value
Loan 1	11 March 2022	£1,200	12	£104 (approx.)	£1,250 (approx.)
Loan 2	24 March 2022	£12,500	60	£243 (approx.)	£14,590 (approx.)

Mr P says he complained to Barclays in June 2022. His complaint was that Barclays didn't complete reasonable and proportionate checks to ensure the loans were sustainably affordable for him. Mr P says had Barclays completed more detailed checks it would have identified he couldn't sustainably afford the loans; and as a result, it was irresponsible for it to have lent to him.

Mr P referred his complaint to our service in October 2022. Our investigator reviewed the complaint and ultimately didn't uphold it. He said Barclays checks weren't reasonable and proportionate; but on review of what Barclays would likely have identified had it completed more detailed checks, he concluded that it would still have reached the same decision to lend, which he considered was fair.

Mr P didn't accept our investigator's outcome. He said Barclays' checks should have identified he was in financial difficulties and as such it shouldn't have lent to him.

Mr P asked for an ombudsman's review, so the complaint has been passed to me to decide.

All parties appear to agree that loan one was approved and repaid within a day; and that there was no interest or charges applied to loan one. As such, and as there was no loss or detriment to Mr P as a result of loan one, my decision here solely focuses on loan two.

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 done so I've reached the same conclusion as our investigator's latest outcome, and for broadly the same reasons. I appreciate this will be disappointing to Mr P.

We've set out our approach to complaints about irresponsible and unaffordable lending as well as the key rules, regulations and what we consider to be good industry practice on our website.

Barclays needed to take reasonable steps to ensure it lent responsibly to Mr P. The relevant rules, regulations and guidance at the time Barclays provided the lending required it to carry

out reasonable and proportionate checks. These checks needed to assess Mr P's ability to afford the loan and repay it sustainably over its term, without causing him financial difficulties or harm.

There isn't a set list of checks Barclays needed to carry out, but the checks should be proportionate, considering things like the type, amount, duration, and total cost of the credit, as well as Mr P's individual circumstances.

And it isn't sufficient for Barclays to just complete proportionate checks – it must also consider the information it obtained from these checks when going on to provide the lending. This includes not lending to someone in financial hardship; and ensuring repayments can be made sustainably without the need to borrow further.

Barclays says it completed the same level of checks when arranging loan two as loan one; and as the lending was within such a short period of time it partly relied on the information obtained from its checks at loan one when assessing the affordability of loan two. This included reviewing the income and expenditure through Mr P's bank accounts, completing a credit check to understand Mr P's existing credit commitments, and reviewing the management of his other accounts held with Barclays.

Barclays hasn't provided our service with the results of these checks; however, it says these checks were reasonable and proportionate, and that it went on to make a fair lending decision when approving loan two.

Having carefully considered Barclays' argument, I can't be satisfied its checks were reasonable and proportionate in this instance. I say this because I don't have the results of the checks it completed, and therefore the information it based its lending decision on.

Barclays has retrospectively reviewed Mr P's affordability for loan two at the point of the complaint, and has provided us with its calculations. Barclays has assessed Mr P's income and expenditure across the accounts to be on average around £2,590 and £1,080 per month. It has therefore concluded that Mr P had an average monthly disposable income of around £1,510 a month; which it considers a reasonable level for Mr P to have covered his monthly living costs, existing credit commitments and repayments to this loan. It therefore maintains its argument that it made a fair lending decision when providing Mr P with this loan.

Both Mr P and Barclays have provided our service with copies of statements which cover a number of bank accounts Mr P held with Barclays. In the absence of any other information, and as Barclays had this information readily available to it at the point of application; I consider reviewing the three-month period before the loan was approved allows me to obtain an understanding of what proportionate checks would likely have shown Barclays.

Mr P's statements cover two sole and one joint account. He appears to receive two regular credits on a monthly basis totalling around £1,500 on average across the three-month period. I can see regular non-discretionary commitments debiting the joint account on a monthly basis averaging around £1,050. This includes items like Mr P's joint mortgage payment, council tax, insurances and utilities, and his gym and mobile phone subscriptions taken from one of his sole accounts. Bearing in mind that Mr P has confirmed his mortgage was joint, and that he was living with his ex-partner at the time, I don't consider it unreasonable that Barclays would have looked to use 50% of this regular non-discretionary expenditure towards housing costs as part of its calculations. After taking into account the repayment towards this loan Mr P would have been left with around £650 of disposable income per month, which I consider reasonable to cover the other two credit commitments Barclays was aware of, together with his general living costs.

There is a large volume of internal transfers between the accounts, as well as a large volume of credits and debits from a number of individuals for varying values. These credits and debits do significantly increase the turnover through the accounts, and this is reflected in Barclays affordability calculations. Having reviewed these transactions I do agree with Barclays' position; that this would only lead to Mr P being left with a higher level of disposable income in which to cover his existing credit commitments and living costs.

Mr P has told us that he was gambling around the time of this loan, and that Barclays ought reasonably to have identified this from its checks.

I've seen some transactions across the three months leading up to this loan to online betting companies; but these are generally low in number and value, and I don't consider ought reasonably to have been of concern to Barclays.

However, I've seen a large volume and value of cash withdrawals across the accounts over this same period, which I do consider ought to have been of concern to Barclays and prompted it to obtain information from Mr P around their purpose. Having considered these cash withdrawals I can't safely conclude Barclays would have, or ought reasonably to have, identified that these may have been used for gambling. I say this because I consider, on balance, it more likely Mr P would have provided Barclays with an answer which he considered wouldn't risk the approval of the loan. And I don't consider it would have been unreasonable for Barclays to have accepted a rational answer for the cash withdrawals.

Overall Mr P's existing accounts with Barclays appear to be well run, they are all maintained in a credit balance across the three-month period with no unauthorised overdraft fees or charges, or returned direct debits; all of which could possibly suggesting signs of financial difficulties that ought to have been of concern to Barclays.

Taking all the above into account, and what I consider Barclays would likely have obtained and identified had it completed proportionate checks, I'm satisfied it would have reasonably concluded that this loan was sustainably affordable for Mr P and reached the same decision to lend.

It therefore follows I'm satisfied Barclays made a fair lending decision when approving loan two; and as such I don't require it to take any further action in resolution of Mr P's complaint.

My final decision

My final decision is that I'm not upholding Mr P's complaint about Barclays Bank UK PLC and as such I'm not directing it to take any further action.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 17 August 2023.

Richard Turner
Ombudsman