

The complaint

Miss O complains that Barclays Bank UK PLC trading as Barclaycard (Barclays) irresponsibly issued a credit card to her, which she couldn't afford the repayments on.

What happened

In November 2017 Miss O successfully applied for a credit card with Barclays. The initial credit limit of £1,200 wasn't changed until January 2023, when it was reduced to £650.

She complained to Barclays that the card was unaffordable to her when it was issued. She says at the time she had several payday loans and a County Court Judgment (CCJ) against her. She also said that she immediately ran up the limit on the credit card when she received it and that she incurred fees and missed payments by going over the limit.

Barclays issued a final response letter August 2022. It said that at the time of her taking out the card she passed the relevant affordability checks which include carrying out a credit check with a Credit Reference Agency (CRA) and that there was no evidence of any CCJ. It further explained that there was no indication from the way she used the card that she might have been in any difficulty paying it.

On referral to the Financial Ombudsman Service our Investigator noted Miss O's credit record but didn't think there was any cause for concern. She had had short term loans and missed payments but these were more than 12 months before the credit card was approved. Our Investigator said that Barclays could have asked Miss O more about her committed expenditure. On reviewing her bank account statements our Investigator didn't think that showed Miss O was unable to afford the card. She noted that her income was about £600 a month more than that declared to Barclays.

Miss O disputed that and provided statements which showed her payments to Payday loans and that her income varied from month to month since it included commission.

The matter has been passed to me for further consideration.

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.

Considering the relevant rules, guidance, and good industry practice, I think the questions I need to consider in deciding what's fair and reasonable in the circumstances of this complaint are:

- Did Barclays complete reasonable and proportionate checks to satisfy itself that Miss O would be able to repay the credit advanced in a sustainable way?
- If not, would those checks have shown that Miss O would have been able to do so?

When Miss O applied for her card in November 2017, Barclays carried out an Income and expenditure assessment and a CRA check on her credit status. The credit check showed that Miss O had four credit cards with total balances outstanding of £3,747. She also had two loans, however one of these was due to be paid up that month and one the following month. There was no record of a CCJ on the check Barclays carried out.

Barclays noted that Miss O lived with her parents to whom she paid a monthly rent of £217. She had an assessed monthly income of £1,519. Although this was higher on her bank statements, I have considered what Barclays took into account. Miss O's essential spend was listed as £174 and living costs also £174 a month. And the amount she spent on credit card repayments about £112. This gave her a monthly disposable income of £539, so she should have been able to afford the card repayments even if she used the card up to its limit.

I bear in mind that Miss O didn't have to spend on utilities or Council tax. The CRA check showed that she had taken payday loans in the past though these were paid up more than 12 months previously. As the two remaining loans were due to be paid up very shortly, I think it was reasonable not to take into account the payments for them. Miss O did have some missed payments on her record, but again these were more than 12 months previously. Barclays has pointed out this was a card issued to people to help them build their credit rating, so some missed payments were not a bar to the card being issued. And though the amount for living/essential expenses may have been low, I don't think that the information gathered from her application and the CRA check indicated that Barclays should have looked at Miss O's bank statements.

Turning to those statements I don't think that if Barclays had seen these they would have showed any cause for concern save that recently Miss O had had several direct debits returned. These appeared to because she didn't have an overdraft facility. However, as I don't think Barclays needed to look at those statements it wouldn't have had cause to question those.

In respect of the CCJ, this doesn't appear on the CRA check. Such checks are not infallible so although usually a CCJ, which was three months old, would appear on the record, it is equally important for the applicant to declare if they have any CCJs in their application. As Barclays wasn't reasonably made aware of it I don't think it should have been expected to take it into account.

I think that even with a 5% payment on her credit cards, Miss O would still have had a disposable income of around £400 month and the proportion of her income spent on credit repayments about 15% which I think was affordable.

Miss O also says that if her card had been regularly monitored it would have shown that she immediately withdrew cash and spent close to the limit and she went over the limit and missed payments several times. So, Barclays would have seen it was unaffordable.

I have reviewed the statements up until August 2022 when Miss O made her complaint. Miss O did spend close to the limit on her account as soon as she opened it. However I can see no record of any cash withdrawal. The vast majority of her payments were for online food delivery and travel. She did go over the limit a few times, although I note that from July 2020 due to of regulations introduced because of Covid19, she wasn't charged any over the limit charges. I can't see from the statements that she used the card for cash payments or for any sort of gambling. Nor can I see that she missed any payments, paying off the card twice (in April 2019 and July 2021). So in my view her use of the account didn't indicate any concerns about affordability.

I've noted that Barclays reduced the credit limit in January 2023, and Miss O sees that as an

acceptance that her card was unaffordable. However it's more likely that this was done as she herself had advised Barclays it was unaffordable so it would have made sense to lower the credit limit.

My final decision

I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss O to accept or reject my decision before 10 July 2023.

Ray Lawley
Ombudsman