

## The complaint

Mr P complains that Barclays Bank UK PLC trading as Barclaycard irresponsibly issued, and increased the credit limit on, a credit card to him, on which he couldn't afford the payments.

## What happened

Mr P was provided with a credit card by Barclaycard in October 2006, with a credit limit of £600. The limit was increased as follows

Date	New Limit
May 2013	£1,200
December 2013	£2,400
September 2014	£3,900
April 2015	£7,900

Mr P says he originally took out the above credit card with Barclaycard at 18, when he was at university. He said that he had always made the minimum payment and this should have been clear before Barclaycard automatically increased his credit limit. As the minimum payments increased, so did his monthly outgoings, making it difficult to pay the minimum payment. He believes Barclaycard gave him a higher limit than it should have done on several occasions over the past years, resulting in him having difficulty making the payments. In 2018 he entered into a payment arrangement with Barclaycard. He hasn't been able to provide bank statements relating to the time of the application or of any increases. He has provided three bank statements from 2016.

Barclaycard said that due to the length of time since the issue of the card and the limit increases it didn't have any records as to its affordability checks. It has produced the statements on the account from 2007 onwards. It gave the following information:

- Application approval 2006– it refers to its terms and conditions which set out the checks it carries out. It has no other information. It pointed out that before a credit limit increase the customer is given the option of refusing it.
- May 2013, and December 2013 increases – the statements before these increases show the account was managed well. The increases were pre-CONC (Consumer Credit sourcebook, set out in the handbook of the Financial Conduct Authority (FCA) April 2014 onwards) and was based on the probability of the account defaulting in the ensuing 12 months. Increases under this model only went ahead if the probability of default is determined to be less than 6%, which is calculated by the account management.
- September 2014 increase. This increase was after CONC regulations had come into

effect but was before it was able to implement methods to adhere to CONC regulations. The same principles applied.

- April 2015 increase. To adhere to CONC regulations it validated customer income and affordability of current limits via a leading credit reference agency (CRA). Barclaycard won't consider increasing an existing customer's credit limit unless they achieve a green rating and, at Barclaycard's instruction, the CRA will only apply that status where expenditure is less than 90% of a customer's income.

On referral to the Financial Ombudsman Service our Investigator said that there wasn't sufficient evidence or documents to show that the card and limit increases weren't affordable.

Mr P didn't agree. He said based on the evidence available from the time of the sale, which he has provided which showed he was in full time education at the time with no fixed income. Mr P's submission is that this would suggest an element of irresponsible lending on behalf of Barclaycard. He believes the statements show how when the limit was increased on each occasion, due to his low income at the time, he was constantly reaching the limit of my card. He believes Barclaycard should have become aware of this pattern of spending when it completed a review of his affordability of an increase in credit limit. There is no evidence it carried this out.

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.

Our approach to considering complaints about unaffordable and irresponsible lending, at least after April 2014, is set out on our website. For the 2014 and 2015 increases, I've taken that approach into account in considering Mr P's complaint.

So, before providing credit, lenders need to complete reasonable and proportionate affordability checks. There isn't a set list of checks a lender is required to carry out, but it needs to ensure the checks are proportionate when considering things like: the type and amount of credit being provided, the size of the regular repayments, the total cost of the credit and the consumer's circumstances. As a lending relationship continues over time and the level of credit increases, lenders may need to obtain further information from a borrower to check whether they're lending responsibly and that the repayments are sustainable for the customer.

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 Barclaycard complete reasonable and proportionate checks to satisfy itself that Mr P would be able to repay the credit advanced in a sustainable way?
- If not, would those checks have shown that Mr P would have been able to do so?
- Bearing in mind the circumstances at the time of each application, was there a point where Barclaycard ought reasonably to have realised it was increasing Mr P's indebtedness in a way that was unsustainable or otherwise harmful and so shouldn't have provided further credit?

From 2010 until 2014 the OFT (Office of Fair Trading) provided lending guidance. This is set out in the OFT's March 2010 guidance for creditors for irresponsible lending. A lender needed to consider the impact of any credit payments on the borrower and not just the likelihood of getting their money back.

There was no set list of checks a lender needed to complete. Again the checks should have been proportionate to the circumstances in which the credit was provided for each loan – which might include considerations about the amount borrowed and the customer's borrowing history. In 2011 an assessment of creditworthiness also came into force in the Consumer Credit Act.

Prior to 2007 the FLA (Finance & Leasing Association) Lending Code 2006 applied. This provided that as responsible lenders, they must make sure that all loan applications go through a sound and proper credit assessment. Again there is no set list of checks a lender needs to carry out, but it could include credit commitments, ability to repay the credit, how the applicant has handled their financial affairs in the past, information from CRAs, the results of credit assessment techniques, for example, credit-scoring, income, age and where the applicant lives.

#### *Issue of the card October 2006*

At the time he applied for the card, Mr P says he was a student and has shown us evidence that he received a maintenance loan and a bursary. He says the latter was £1,000 for the year, but I've not seen documentary evidence of that. He was also reliant on parental contributions.

I can't assume that Barclaycard carried out no affordability checks. It is only required to retain information for six years and as this complaint was made many years after the application it's not unreasonable that it has no such information. I have no evidence from either party about Mr P's financial circumstances. I accept that Mr S was a student at the time. He was provided with a card with a low limit of £600 which assuming he used it up to the limit might mean he should have been paying up to 5% a month – i.e. £30.

I don't think I can find that providing a credit card to a student was irresponsible, particularly as I don't know what income Mr P declared. I understand that Barclaycard does provide credit cards to students even now. I note that the limit wasn't increased for seven years. And the evidence from the statements suggests that although Mr P had a couple of late payments in the early years he maintained the account fairly well.

Mr P says he doesn't think I can say with certainty the issue of the card was responsible. He is right but I do have to be satisfied that it was more likely than not that the lending was irresponsible. Based on the evidence I have seen, which is very little, I'm unable to say the provision of the card to Mr P was irresponsible within the rules that applied at the time.

#### *May 2013 increase to £1,200*

Mr P says his salary was £16,000. He was paying each month £500 rent, £30 on a mobile phone contract and payments on another credit card. Again he hasn't got any documentary evidence of this. From the records of his credit card account it appears that he had been maintaining payments on it without any default for several years. The only evidence apart from that is Barclaycard's assertion that it wouldn't have increased the limit unless it had a green rating from the CRA. I have no other evidence.

On the face of it given Mr P's minimal credit commitments I can't say this increase was unaffordable. Due to the lack of other evidence again I can't say whether this increase was

responsibly provided or not.

#### *December 2013 increase to £2,400*

This was a substantial increase, doubling the credit limit. Paragraph 4.2 and 4.3 of the OFT's guidance says:

*"4.2 We consider that before granting credit, significantly increasing the amount of credit, or significantly increasing the credit limit under an agreement for running account credit, creditors should take reasonable steps to assess a borrower's likely ability to be able to meet repayments under the credit agreement in a sustainable manner.*

*4.3 The OFT regards 'in a sustainable manner' in this context as meaning credit that can be repaid by the borrower:*

- without undue difficulty – in particular without incurring or increasing problem indebtedness*
- over the life of the credit agreement or, in the case of open-end agreements, within a reasonable period of time*
- out of income and/or available savings, without having to realise security or assets."*

Mr P says he was earning around £21,500 and his outgoings were £500 a month in rent, £30 for a phone contract and payments towards another credit card of around £50 per month. However he's not able to provide documentary evidence of this. Again Barclaycard hasn't retained the details of its checks, and can only say the credit scoring showed Mr P was unlikely to default on the payments. If those were the only checks I would regard that as unsatisfactory. As a minimum Barclaycard should have verified Mr P's income and expenditure.

The credit card statements prior to this increase show that Mr P was keeping well within the credit limit and had managed the account well. He paid over the minimum payment each month. As I've said we would regard the ability to afford a monthly payment of 5% of the outstanding balance as being able to pay off the account in a reasonable period of time.

Based on what Mr P tells us about his earnings and credit commitments, I can't say from the limited information we have that the increase was not affordable. I don't think there is sufficient evidence to show whether or not this increase was provided responsibly.

#### *September 2014 increase to £3,900*

The CONC rules apply here, but essentially they require the business to carry out similar affordability checks. Barclaycard again can't provide details of its checks.

Mr P said his income and outgoings were the same as at the time of the previous credit limit increase. And again from his credit card statements he appears to have been managing the account well.

Even if I were to assume that Barclaycard didn't carry out sufficient affordability checks, I would still need to see evidence the increase was unsustainable. It would be reasonable to expect that if he used the whole increase Mr P might be liable to pay a further £75 a month. His income hadn't gone up but then neither had his other commitments. And I'm conscious that there is no documentary evidence of these earnings or commitments. What little evidence there is doesn't appear to suggest that Mr P was in financial difficulties. So again,

because of the lack of evidence, I can't find that the credit limit here was increased irresponsibly.

#### *April 2015 increase to £7900*

This was a very substantial increase. But again neither Mr P nor Barclaycard can provide documentary evidence relevant to this period apart from the credit card statements.

On the face of it Mr P could have had to find a further £200 a month with no increase in pay. Barclaycard used a CRA to validate his income and check affordability. Again bearing in mind the amount of the increase Barclaycard should have carried out a full income and expenditure check. But Mr P had still managed the account well and didn't appear, at the time, to have any financial problems (from the limited evidence I've seen). I appreciate that Mr P's statements from 2016 show he was overdrawn and also that he now has a very substantial mortgage, but I've seen no documentary evidence that his account was overdrawn or that he had that mortgage commitment at the time of this increase.

Whilst it's possible that Barclaycard didn't carry out sufficient checks on the affordability of this increase, I don't have sufficient evidence to show that if it had it would have realised that this increase was unsustainable. I'm aware that Mr P did get into financial difficulties later but I can't be satisfied that it was this increase that caused those difficulties. Again, because of a lack of evidence, I can't find that the credit limit here was increased irresponsibly.

#### **My final decision**

I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 9 August 2023.

Ray Lawley  
**Ombudsman**