

The complaint

Mr P complains that Barclays Bank UK PLC lent to him irresponsibly.

What happened

In September 2017 Mr P applied for a loan. Barclays approved the application and gave Mr P a loan for £13,800 repayable over 60 months with repayments of £327.19 per month.

Mr P complained that Barclays had lent to him irresponsibly.

Barclays didn't uphold the complaint. It said it had carried out proportionate checks before lending to Mr P.

Mr P remained unhappy and complained to this service.

Our investigator upheld the complaint. He said that Barclays hadn't made a fair lending decision because Mr P's income didn't cover his living expenses and that he was reliant on financial help from third parties at the time of the loan application.

Barclays didn't agree. It said it believed it had acted correctly in including the third party credits.

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.

We've set out our approach to complaints about irresponsible and unaffordable lending on our website. I've had this approach in mind when considering Mr P's complaint.

Before agreeing to lend, Barclays needed to complete reasonable and proportionate checks to ensure that Mr P could sustainably repay what was being lent to him.

There's no set list of checks that a lender has to complete. But lenders are required to have regard to things like the amount being lent, the total amount repayable, the monthly repayment and the consumers individual circumstances.

I've looked at the checks Barclays carried out before lending to Mr P. Barclays gathered information about Mr P's income and expenditure and calculated that he had monthly disposable income of around £452, which it said showed that the loan repayment of £327.19 to be affordable. Barclays also carried out a credit check.

Based on what I've seen, I think Barclays carried out reasonable and proportionate checks.

I've gone on to consider whether the lending decision was fair.

The information gathered from the checks showed that Mr P had income of around £1400 per month and expenditure of around £1400 per month. Barclays looked at Mr P's bank

statements and calculated that he had monthly disposable income of around £452. It appears that Barclays included payments from a third party as part of Mr P's income. The payments were of different amounts in the months leading up to the lending decision, so for instance in May 2017 the third party transferred £70 to Mr P's account. In July 2017 it was £3000 and in August 2017 it was £820.

The statements also show that in July and August 2017 Mr P's income declined significantly, compared to what it had been in the months prior to this.

Looking at this information, I think its clear that Mr P wasn't earning enough to meet his expenses. Barclays would have been able to see from Mr P's bank statement that Mr P was unlikely to be able to sustainably repay further lending because of his deteriorating income and his reliance on third party funds. I don't think Barclays acted fairly in taking the third-party funds into account because there was no certainty of how much the third party would transfer on a month to month basis, nor was there any certainty that the third party would continue to support Mr P.

Taking everything into consideration, I don't think the lending decision was fair. the information showed that Mr P wasn't likely to be able to sustainably repay the loan.

Putting things right

To put things right Barclays should:

Add up the total amount of money Mr P received as a result of having been given the loan. The repayments Mr P made should be deducted from this amount.

If this results in Mr P having paid more than he received, any overpayments should be refunded along with 8% simple interest calculated from the date the overpayment was made to the date of settlement.*

If any capital balance remains outstanding, Barclays should arrange an affordable payment plan with Mr P

Remove any adverse information recorded on Mr P's credit file relating to the loan

*HMRC require Barclays to take off tax from this interest. Barclays must give Mr P a certificate showing how much tax has been taken off if he asks for one.

My final decision

My final decision is that I uphold the complaint. Barclays Bank UK PLC must take the steps I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 15 August 2023.

Emma Davy
Ombudsman