

The complaint

Mr J complains that Barclays Bank UK PLC trading as Barclaycard was irresponsible in its lending to him.

What happened

Mr J says that when he applied to Barclaycard for a credit card, he was self-employed and struggling financially. He says he used the credit card for a balance transfer from another credit card as it had an interest free period and says he hasn't been able to clear the debt. He says he has only ever been able to make the minimum repayments and is continually needing to borrow more to meet his commitments. He says his debts have caused him stress and depression and contributed to his family break up.

Barclaycard issued a final response letter in August 2022. It said that when assessing an application, it reviews credit file details and confirmed there was nothing received from the credit reference agencies regarding Mr J to suggest he was experiencing financial difficulties at the time. It said before any credit limit increase it carries out internal checks and reviews the credit information. It said Mr J had a good repayment history on the account.

Mr J wasn't satisfied with Barclaycard's response and referred his complaint to this service.

Our investigator upheld this complaint. She noted that Mr J was provided with a credit card with an initial credit limit of £9,700 and that there were a couple of limit increases as well as credit limit decreases from July 2020.

Our investigator didn't think the checks carried out before the credit card was provided were reasonable and proportionate given the size of the initial credit limit. She thought it would have been reasonable to verify Mr J's financial circumstances and had this happened Barclaycard would have realised there was a significant risk that Mr J wouldn't be able to repay the credit within a reasonable timeframe.

Barclaycard didn't agree with our investigator's view. It noted the comment that there were only limited funds in Mr J's bank account but said that it wasn't industry standard to request copies of bank statements as part of a credit card application. It said it was the standards in place at the time that should be applied to the assessment.

Barclaycard said Mr J hadn't just made the minimum repayments and between 2015 and July 2021 he had paid over the minimum amount and cleared his account balance on numerous occasions. It said that once it was aware of Mr J's change in circumstances it had made every attempt to reduce his credit limit and had it been able to reduce this further it would have done.

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 is set out on our website. I've had this approach in mind when considering what's fair and reasonable in the circumstances of this complaint.

Mr J was provided with a credit card with an initial credit limit of £9,700 in 2015. I note the comments Barclaycard has made about the regulations in place at the time and that it isn't industry standard to request copies of bank statements. I accept this and can see from the application information that Mr J's income was recorded as £30,000. Mr J was recorded to have two loans and two other credit cards at the time.

I do not find the information gathered at the time of application raised any serious concerns about his financial position. However, noting the size of the credit limit being provided and that this, if fully used, would result in his credit commitments accounting for a significant amount of his declared monthly income, I think it would have been reasonable to verify Mr J's financial circumstances before providing the credit card with a £9,700 credit limit.

Barclaycard weren't required to check Mr J's bank statements but as I think Mr J's income should have been verified, I have used the information provided in Mr J's bank statements to understand what would likely have been identified had further checks taken place.

Having looked through Mr J's bank statements from the months leading up to the credit card being provided, his income for 8 January to 10 February 2015 was £600 and between 11 February to 10 March 2015 was £200. Given his existing credit commitments (before the Barclaycard credit card), including his overdraft fees and that he was paying insurance and had other costs, I find that further checks would have shown there was a significant risk that Mr J wouldn't have been able to repay this additional credit within a reasonable timeframe. Therefore, I uphold this complaint.

Putting things right

I don't think Mr J should've been given this account. I think Mr J should pay the cash price for any goods he has kept. But I don't think Mr J should have to pay any interest or charges, so all interest and charges should be removed.

Barclays Bank UK PLC trading as Barclaycard should work out how much Mr J would have owed after the above adjustments. Any repayment Mr J has made since the opening of the account in March 2015 should be used to reduce the adjusted balance.

If this clears the adjusted balance any funds remaining should be refunded to Mr J along with 8% simple interest* - calculated from the date of overpayment to the date of settlement.

If after all adjustments have been made Mr J no longer owes any money, then all adverse information regarding this account should be removed from the credit file from the opening of the account in March 2015.

Or, if an outstanding balance remains, Barclays Bank UK PLC trading as Barclaycard should look to arrange an affordable payment plan with Mr J for the outstanding amount. Once Mr J has cleared the balance, any adverse information should be removed from the credit file.

*HM Revenue & Customs requires tax to be deducted from any award of interest. Barclays Bank UK PLC trading as Barclaycard must give Mr J a certificate showing how much tax has been taken off if he asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

My final decision

Barclays Bank UK PLC trading as Barclaycard should take the actions set out above in resolution of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 12 October 2023.

Jane Archer
Ombudsman