

The complaint

Mr H has complained that Barclays Bank UK PLC acted irresponsibly when it provided him two loans, one in July 2021 and the second one in March 2022.

Background

Mr H has complained that Barclays acted irresponsibly when it provided him with multiple forms of credit between July 2021 and March 2022. He has explained that he has a compulsive gambling problem that has resulted in him becoming over reliant on credit and unable to manage his finances properly. He believes that Barclays contributed to his debt by providing him with two loans and an overdraft during a time when his gambling was getting out of control. He believes the bank should've realised that he wasn't managing his finances well and should've refused to provide him with any additional credit.

Barclays has said that when Mr H applied for his loans there was no evidence to show they may not be affordable to him. It has said that there was no evidence of gambling on his account statements and that it ran all the necessary checks prior to providing him with the loans and overdraft and it's satisfied the lending appeared to be both affordable and sustainable. On that basis it didn't uphold Mr H's complaint.

Unhappy with Barclays response Mr H brought his complaint to our service. We split Mr H's complaint into two separate issues, one about the lending decisions for the loans and the second one about the lending decisions around the overdraft. This decision is considering whether or not Barclays acted irresponsibly when it provided Mr H with the two personal loans.

I issued a provisional decision on 17 August 2023. In it I said that the checks completed by Barclays at the time Mr H applied for his first loan were proportionate based on his circumstances and lending history at that time. However, I felt that when he applied for the second loan in March 2022, Barclays should've done more in-depth checks. If it had it would've realised the extent of Mr H's compulsive gambling and the harm it was causing him. As such I didn't think that Barclays should've provided Mr H with the second loan and explained I intended to uphold this loan and ask Barclays to pay Mr H some compensation in recognition of the distress the lending decision caused him.

I asked both parties to respond to the provisional decision by 14 September 2023.

Mr H responded saying he agreed with the outcome but wanted to know if the second loan would be deleted from his credit file as part of my instruction.

Barclays didn't respond to the provisional decision.

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.

As neither party has raised any new points my reasoning for partially upholding Mr H's complaint remains the same. For the sake of fullness I will repeat it here and will clarify the point around amending Mr H's credit file at the end of that rationale.

Mr H applied for two loans with Barclays. I'll discuss them in chronological order.

July 2021 loan for £15,000

In July 2021 Mr H applied for, and was given, a loan of £15,000 over five years at a monthly repayment of approximately £391 per month.

At this time Mr H did have some other credit, he had recently (June 2021) taken out a £15,000 loan with a credit union and also had a second loan, that appears to have been peer-to-peer lending, taken in February 2021 that had a repayment value of over £16,100. In addition to these two loans there was also a hire purchase agreement from April 2021, that had a repayment value of nearly £10,700.

So, it does seem that just before Mr H applied to Barclays for his first loan that his overall indebtedness had increased. However, this alone isn't enough to stop Barclays from providing him with more credit. Looking at Mr H's credit file, all the existing accounts were being maintained and despite the increased lending prior to taking the loan in July 2021, it did seem that the additional loan would be affordable to him.

I have to add here that although Barclays would've reviewed Mr H's credit score prior to providing him with the first loan, it's unlikely that the loan he took with the credit union in June 2021, would've shown on his credit file as it had only been granted a few weeks prior to the second loan. Normally credit files are updated on a monthly basis. And although Barclays had access to Mr H's bank statements and arguably should've queried the large credit on his account in June, it's unlikely it looked at them in that much detail. Rather it's more likely it was focused on ensuring the account was well managed, not going into unarranged overdrafts or having direct debits or standing orders returned unpaid.

So even though there were indications in July 2021 that Mr H's finances were starting to become unmanageable I don't think there was enough happening on the account at that time to flag to Barclays that the lending would be unaffordable or potentially unsustainable in the future. So, I can't say it acted irresponsibly when it provided the first loan to Mr H. So I'm not upholding this part of his complaint.

March 2022 loan for £9,000

When Mr H applied for the second loan in March 2022 for £9,000 his finances were starting to spiral. Mr H is self employed and his bank statements show that by this time he was transferring money from his business multiple times a week to keep his account in credit. In addition, he was overdrawn by over £3,700 when he applied for this loan; having only received the £4,000 overdraft approximately two weeks earlier.

This second loan was also over five years and Barclays has said that some of it was used for debt consolidation because it cleared the overdraft balance when it was credited to the account.

However, I do think that Barclays should've question the sustainability of this loan with Mr H and taken a closer look at his account and how he was running it before approving the loan. I say this because the bank had provided him with a £4,000 overdraft just a few weeks prior, not to mention the £15,000 five-year loan, only eight months before that. And by this stage there can be no doubt that the other £15,000 loan with the credit union would also be

registered on Mr H's credit file. As well as the peer-to-peer lending from February 2021.

So, although the basic checks may have indicated this lending would be affordable I think it was evident at this stage that Mr H was becoming reliant on credit and Barclays should've considered whether or not it was sustainable. If it had done more thorough checks, or indeed properly reviewed the bank statements that were available on its systems, I don't think it would've provided Mr H with this second loan. And so, I intend to uphold this part of Mr H's complaint.

Mr H has explained that as a result of obtaining all of the credit he did his gambling spiralled out of control. He had to continually borrow more money to stay on top of the debt he had already amassed and by the end of 2022 was relying on loans from friends, family and high-cost credit, to maintain his existing debt. I think that the lending decisions Barclays made contributed to that and for that reason I think it should pay Mr H £300 compensation for the distress caused.

Mr H has asked if Barclays should remove any record of the second loan from his credit file. Generally, when we say that a business shouldn't have provided lending to a consumer, we direct a business to remove any adverse information recorded on their credit file that is linked to any interest, fees or chargers associated with the loan. This often results in all the adverse information being removed where credit repayments have been kept up to date, or where no outstanding balance remains.

However, I won't ask Barclays to remove all evidence of the lending agreement from Mr H's credit file as he is still obliged to repay the capital amount borrowed and if he is unable to do this, then it is possible negative markers could be added to his credit file in the future. We take this approach as it is important that credit files reflect the true nature of consumer's lending history.

Putting things right

I don't think Barclays should have provided the second loan to Mr H so I don't think it's fair for it to charge any interest or charges on that loan. However, Mr H did have access to the funds he borrowed, and not all of it was used for gambling, and so I do think he needs to pay back the capital amount he borrowed. Therefore, if my decision becomes final I think Barclays should:

- Refund all the interest and charges added onto the capital amount Mr H borrowed in March 2022
- Work out an affordable repayment plan with Mr H for the balance owed
- Pay Mr H £300 compensation in recognition of the harm caused by providing him with access to more credit when he was already showing clear signs of vulnerability
- Remove any negative information recorded on Mr H's credit file relating to the loan taken in March 2022

My final decision

For the reasons set out above I partially uphold Mr H's complaint against Barclays Bank UK PLC.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 13 October 2023.

Karen Hanlon

Ombudsman