

The complaint

Mrs J complains that Barclays Bank UK PLC trading as Barclaycard ("Barclaycard") irresponsibly gave her a credit card and subsequent credit limit increases that she couldn't afford. On 16 September 2008, Mrs J applied for a credit card with EGG. Barclaycard took on this business a few years later. For simplicity I refer to the business as 'Barclaycard' in this decision.

What happened

On 16 September 2008, Mrs J was given an initial credit limit of £9,500. There was an increase to the credit limit in 2016 when it increased to £13,500.

In 2022, Mrs J complained to Barclaycard to say that the credit had been unaffordable from the outset and that it shouldn't have been granted to her.

Barclaycard thought it had not acted fairly in providing the increase to the credit limit in 2016 and offered Mrs J standard redress for that. But Barclaycard initially didn't consent to our service considering events that occurred prior in 2008. Mrs J didn't agree and brought her complaint to this service.

Our ombudsman felt that we could consider all aspects of Mrs J's complaint dating back to 2008 and Barclaycard agreed with that conclusion. Our investigator then recommended the complaint not be upheld. Mrs J disagreed and asked for an ombudsman review of the merits of her complaint.

I issued my provisional decision on 12 June 2023 in which I said that I had limited information from the time of the original lending decision and so, without a credit report from the time, or other evidence, it was hard to know how Mrs J was managing her credit at the time of the initial lending decision on the credit card. And so, my provisional findings were that I did not intend to uphold the complaint. I asked both parties to make any further submissions they wished to make. Mrs J submitted evidence for me to consider and made her case for the complaint to be upheld.

Having considered the new submissions, and having reread the case file in its entirety, I considered that the complaint should be upheld. I issued my provisional decision saying I intended to uphold the complaint on 4 August 2023, a section of which is included below, and forms part of, this decision. In my provisional decision I set out the reasons why I intended to uphold the complaint. I set out an extract below:

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

As the lending was taken out in 2008, I've had in mind various rules and guidance and good industry practice from the relevant time, including (but not limited to) the Banking Code to which Barclaycard was a subscriber.

Prior to granting credit (or increasing the credit limit), Barclaycard needed to ensure the

borrowing was likely to be affordable for Mrs J. To do so, it was required to consider things such as her income and financial commitments.

Barclaycard hasn't been able to provide us with much detail about the checks it completed when it opened the credit card. However, I'm satisfied that reasonable affordability checks at the time ought to have at least included getting some understanding of Mrs J's income and her existing credit commitments. I have noted there is no note of any expenditure for Mrs J in her application information.

I can't be sure exactly what Barclaycard found out at the time of granting credit to Mrs J. However, in the absence of anything from Barclaycard, I've relied on the evidence Mrs J has been able to provide. This includes details of her other borrowing at the time (loan, mortgage, shopping account and credit card statements), proof of her income and her current account statements.

I'm not suggesting that Barclaycard needed to obtain any of the specific documents Mrs J has now provided, but I think these give a good indication of at least what basic information Barclaycard would have been likely to have found out (or ought to have found out) about her income and existing credit commitments. This evidence can be shared with Barclaycard if it wishes to see it.

The information and evidence Mrs J provided shows that at the time of applying for the credit card she was significantly indebted elsewhere. I find it likely this would have been visible in any credit check Barclaycard might have completed. Mrs J's income came from her limited company and was distributed as a mixture of dividend and salary. The total income came to less than £20,000 a year. But her debts (including joint and/or household borrowing) appear to have amounted to over £400,000. While, her partner was also undoubtedly contributing towards some or all of these credit commitments and their essential living costs, I've seen that their joint bank account was consistently in excess of £3,000 overdrawn. And the balance on a particular credit card had risen to nearly £9,000 at the time of the initial lending decision in 2008.

The sheer size of the unsecured credit Mrs J was already responsible (or partly responsible) or ought to have caused Barclaycard to question her ability to take on more credit, especially a relatively significant sum such as £9,500. I think that at the very least any basic affordability checks ought to have prompted more thorough enquiry of Mrs J's financial circumstances before Barclaycard agreed to lend. Had it done more, which I consider it ought to have here, I fail to see how it could possibly have concluded anything other than the new credit being unaffordable and unsustainable. Mrs J was clearly already in financial difficulty and over-indebted and appropriate checks would likely have revealed this to Barclaycard. I think it therefore acted unfairly in opening the account.

In my initial provisional decision, and in the absence of evidence to the contrary, I had thought it most likely that the credit had been used for a balance transfer. I had thought the credit may have been used to manage her existing debt by taking out this card and using it to secure more favourable terms presumably to existing credit. The evidence Mrs J has provided has included evidence that this was not the case. The new credit was paid almost immediately as a cash transfer to Mrs J's current account. And so, I now see the initial credit as evidence of new credit adding to an already large amount of personal borrowing.

As I don't think Barclaycard should ever have opened the credit card for Mrs J, it follows that it should never have been in a position to offer her credit limit increases either. I therefore think Barclaycard acted unfairly in giving Mrs J the initial credit limit and the subsequent limit increase.

As I think Barclaycard acted unfairly, I've thought about a fair way to put things right. It isn't possible to undo the lending decisions and as Mrs J has spent the money she borrowed, I consider it reasonable for her to pay that back. However, as she should never have had to pay it back in the first place, it's fair that Barclaycard removes all interest, fees, charges and insurances (if any) that were applied to the account.

It should therefore re-work the credit card as if Mrs J was only required to repay the capital she borrowed. I think it is also fair for any adverse information relating to this account to be removed from her credit file once she has repaid the capital balance she borrowed.

Fair redress

For the reasons given above, I currently plan to uphold this complaint and direct Barclaycard to:

- ☐ *Re-work the credit card removing all interest, fees, charges and insurances (not already refunded).*
- ☐ *If the re-work results in a credit balance this should be refunded to Mrs J alongside 8% simple interest per year, calculated from the date the account would have first gone into a credit balance to the date of settlement. Barclaycard should also remove any adverse information it might have recorded on Mrs J's credit file in relation to this account.*

Or;

- ☐ *If the re-work results in there still being an outstanding capital balance, Barclaycard should arrange a suitable and affordable repayment plan with Mrs J for the remaining amount. Once the capital has been repaid Barclaycard should then remove any adverse information it might have recorded on Mrs J's credit file in relation to this account.*

If Barclaycard considers tax should be deducted from the interest element of my award, it should provide Mrs J with a certificate showing how much tax it has taken off so that she can reclaim that amount, if she is eligible to do so."

I asked the parties to the complaint to let me have any further representations that they wished me to consider by 1 September 2023. Mrs J has acknowledged receiving the decision. Barclaycard has not acknowledged receiving the provisional decision, made any further submissions or asked for an extension to do so. I consider that both parties have had sufficient time to make a further submission had they wished to do so. So, I'm proceeding to my final 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.

Given that there's no new information for me to consider following my provisional decision, I have no reason to depart from those findings. And as I've already set out my full reasons for upholding Mrs J's complaint, I have nothing further to add.

Putting things right

Barclaycard should now calculate and pay the redress as detailed in the section called 'Fair redress' above.

My final decision

For the reasons set out, I'm fully upholding Mrs J's complaint. Barclays Bank UK PLC trading as Barclaycard ("Barclaycard") should put things right in the way set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs J to accept or reject my decision before 2 October 2023.

Douglas Sayers
Ombudsman