

The complaint

Miss M has complained that Barclays Bank UK PLC, trading as Barclaycard ("Barclays"), irresponsibly granted her a credit card account, and subsequently increased her credit limit, which she couldn't afford to repay.

What happened

Miss M took out a credit card with Barclays in May 2014, with a credit limit of £400. The limit was increased to £1,000 in December 2014. In November 2017, the limit reverted to £400, and the account was closed in March 2019.

Miss M complained that the card was issued (albeit with a relatively low initial credit limit of £400), and the limit then increased, without the appropriate checks. She said that at the time of her application she was in a cycle of debt. Miss M further said she used the card for gambling transactions, and took cash withdrawals, and within a few months of opening her account she was over her limit. But Barclays simply increased her limit to £1,000. She also told us she was frequently over her limit, incurring charges as well as interest, and that she borrowed money to repay the card balance on more than one occasion over the life of the card.

Miss M complained to Barclays, but it said that it had carried out appropriate affordability checks, and told Miss M that it did not uphold her complaint. She then brought her complaint to this service. Our investigator looked into it and thought it should be upheld. Barclays didn't agree and asked for it to be reviewed by an ombudsman.

I should also say here that Barclays originally said that it thought Miss M's complaint had been brought to this service outside the time limits we have to apply. Another ombudsman looked at this and determined that the complaint was brought to us within the relevant time limits, and therefore we do have the power to look at it. Barclays accepted this so I will not refer to the matter of time limits again in this decision.

I issued a provisional decision in September 2023. I explained that I was minded to agree with our investigator's conclusion that this complaint should be upheld, but that as further evidence had been provided after our investigator issued his view, I was issuing a provisional decision to explain my reasons in more detail and to give both parties an opportunity to respond.

Miss M and Barclays have responded to my provisional decision, so I can now issue my final decision. Both parties agreed with my conclusions.

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, and I've taken this into account here.

I've decided to uphold Miss M's complaint. I'll explain why.

In summary, before providing credit, lenders need to complete reasonable and proportionate affordability checks. There isn't a set list of checks required of a lender, but it needs to ensure the checks are proportionate when considering things such as 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. So I've considered whether Barclays completed reasonable and proportionate checks to satisfy itself that Miss M would be able to make the repayments on the credit card account in a sustainable way.

I set out my reasoning in my provisional decision as follows:

"Miss M sent in copies of her bank and credit card statements, and some information, albeit limited, from her credit history, as well as detailed information about the sequence of events. Barclays sent in details of the checks it carried out and the information these were based on.

Barclays said that its data suggested that Miss M passed all financial checks and external searches. This meant she had a good disposable income, and the initial limit and increase were considered to be affordable. Where there were no figures for expenditure, it said the average figures for that area/demographic would have been used as part of the system calculation.

It also said that when Miss M's credit limit was increased, she was using her card regularly, but there were no signs of financial difficulty. It would have been Miss M's responsibility to contact Barclays if she needed any support or was facing any difficulty, so it could outline the support available.

Barclays further said that the information held with the credit reference agencies in 2014 regarding other products held by Miss M did not raise any concerns. Gambling transactions were not treated as they are now and thus back in 2014 would not have been identified in the same way. Barclays would not have referred to Miss M's bank statements as the information held through the credit reference agencies indicated that the low limit was affordable.

Barclays also said that Miss M had a good history of making payments and did not incur any significant charges during the review period; this would suggest the payments were affordable and appropriate. And the interest charged on the account is in line with Miss M's spending and use of the card, which was correctly applied and in line with the terms and conditions she accepted when taking out the card.

I've carefully considered all of the evidence provided. Looking at the bank statements sent in by Miss M, I can see that the monthly salary credits are consistent with the gross income of £16,000 stated in Barclays' information about the card application. Miss M had a loan from her current account provider and the repayments were also shown on Barclays' information. Barclays hasn't stated the figures it used for the estimated living costs.

However, I don't think Barclays' checks were reasonable and proportionate. I say this because I can also see from Miss M's bank statements from January to May 2014 that she was regularly overdrawn. There seems to have been an authorised overdraft limit, but there is an unauthorised overdraft charge in March 2014. I note that Barclays said the overdraft didn't appear on Miss M's credit information at the time of the application, but it's difficult to see why this would be the case, as the overdraft arrangement was clearly in place in the months before the application. Additionally, Miss M was using payday loans – there are three of these in the period January to March 2014, and two more in May 2014. I can see no

reason why the first three at least would not have been shown on Miss M's credit history when she applied for the credit card.

Taken together, I think the overdraft and regular use of payday loans should have prompted Barclays to look at Miss M's income and expenditure in more detail. If Barclays had done so, it would have seen the extent of Miss M's overdraft usage. I also note from the statements that the payday loans were often followed by amounts transferred to her partner. I don't have details of Miss M and her partner's joint finances of course, but this pattern of transactions suggests to me that either Miss M was using the payday loans to repay borrowing from her partner, or that she was struggling to meet joint commitments.

I accept that the initial credit limit of £400 on the credit card was low, and the required monthly payment was modest. But from what's on the bank statements it seems to me that Miss M was living beyond her means, and would've been making the credit card payments from other borrowing. So I don't think Miss M would have been able to manage the repayments sustainably, and therefore I don't think Barclays acted fairly in granting the credit card to Miss M.

I've also looked at the credit limit increase from £400 to £1,000 in December 2014. Again, I don't have the figures Barclays used in its affordability assessment with regard to living costs, but I do have Miss M's bank statements from the period.

These statements show a similar pattern of spending and overdraft usage to that earlier in the year, and I can see payments to payday loan companies, so it seems to me that Miss M's circumstances hadn't changed between May and December 2014. Barclays also had information about Miss M's usage of the card and the statements show that she had made cash withdrawals totalling £300, in addition to other routine transactions. Whilst payments had been made, Miss M had been charged two 'over limit' fees, and the November 2014 statement – immediately before the credit limit increase – showed that Miss M's card account balance was over her limit at that time.

As with the granting of the card, I think the overdraft and regular use of payday loans – which I would expect to have shown on Miss M's credit history – along with the balance on the card being over the limit, should have prompted a more detailed review of Miss M's circumstances before increasing the limit. I've no evidence that Barclays did that, so I don't think it carried out reasonable and proportionate checks.

For the same reasons as I've stated above, I don't think Miss M would have been able to manage the increased repayments sustainably, and therefore I don't think Barclays acted fairly in increasing the credit limit on the card.

I have not commented specifically on the gambling transactions, although I can see a number of these on the bank statements - I accept that the treatment and consideration of these has changed over time. Instead I think Miss M's general pattern of borrowing should have led Barclays to carry out more detailed checks on her circumstances, which it didn't do. And, for the reasons I've explained, I'm not satisfied she would've been able to make the credit card repayments sustainably. So I think Miss M has lost out as a result, and therefore I am proposing to uphold her complaint.

I also note that there have been delays in Barclays' responses to this complaint, both to Miss M and to this service. This has caused additional distress and inconvenience to Miss M, and therefore I propose to require Barclays to pay an additional amount of £150 in recognition of this."

In response to my provisional decision, Miss M said that she accepted my conclusions. Barclays said that it believed the checks it had completed were in line with process and policy at the time, but based on the information shared with this service, it accepted my findings.

As both parties have accepted my findings and no new evidence has been submitted, I have no reason to change my conclusions. So I uphold Miss M's complaint.

Putting things right

As I don't think Barclays ought to have opened the account, or later increased the credit limit, I don't think it's fair for it to be able to charge any interest or charges under the credit agreement. But I think Miss M should pay back the amount she borrowed. Therefore, Barclays should:

- Rework the account removing all interest and charges that have been applied.
- If the rework results in a credit balance, this should be refunded to Miss M along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement. Barclays should also remove all adverse information regarding this account from Miss M's credit file.
- Or, if after the rework there is still an outstanding balance, Barclays should arrange an affordable repayment plan with Miss M for the remaining amount. Once Miss M has cleared the balance, any adverse information in relation to the account should be removed from her credit file.
- If Barclays has sold the debt to a third party, it should arrange to either buy back the debt from the third party or liaise with them to ensure the redress set out above is carried out promptly
- Pay Miss M £150 in recognition of the distress and inconvenience caused.

*HM Revenue & Customs requires Barclays to deduct tax from any award of interest. It must give Miss M a certificate showing how much tax has been taken off if she asks for one.

My final decision

For the reasons I've explained, I've decided to uphold Miss M's complaint. Barclays Bank UK PLC should compensate Miss M as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 31 October 2023.

Jan Ferrari
Ombudsman