

The complaint

Mr C complains that Barclays Bank UK PLC irresponsibly agreed two loans for him.

What happened

Barclays agreed two loans for Mr C in 2018. He had previously borrowed from Barclays in 2017 but hasn't complained about those loans. I've summarised some of the available information about Mr C's borrowing in the table below.

Loan number	Start date	End date	Amount borrowed	Total owed	Monthly repayment	Loan term (months)
1	13/07/2017	26/11/2017	£6,500	£7,562	£158	48
2	20/11/2017	25/04/2018	£13,000	£15,262	£254	60
3	19/04/2018	11/12/2018	£13,500	£15,848	£264	60
4	06/12/2018	outstanding	£15,000	£17,648	£294	60

I understand each of Mr C's loans was refinanced into the next and his fourth loan is still outstanding. He met his payments on time until mid-2022, apart from a period of deferred payments during the pandemic.

Mr C complained to Barclays about his 2018 loans. He said that the loans were unaffordable for him and he survived by borrowing from credit cards to pay other debts. Mr C said that he was in a debt management plan when Barclays agreed his loan in April 2018 and had numerous other credit and store cards. He said Barclays would have known about his other debts because he paid them from his Barclays current account. Mr C said he used this loan to repay his credit card debt which he soon ran up again because he only ever made the minimum repayment.

Barclays didn't uphold Mr C's complaint. It said it carried out a proportionate check before lending to him each time and found that the loans would be affordable for him.

Mr C referred his complaint to us. Our investigator found that had Barclays carried out proportionate checks it would have agreed both loans for Mr C in 2018 as it seemed the repayments would be affordable for him. They didn't recommend that his complaint be upheld. Mr C asked for his complaint to come to an ombudsman for review and it's come to me.

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.

I've also had regard to the regulator's rules and guidance on responsible lending (set out in its consumer credit handbook – CONC) which lenders, such as Barclays, need to abide by. Barclays will be aware of these, and our approach to this type of lending is set out on our

website, so I won't refer to the regulations in detail here but will summarise and refer to them where appropriate.

Before entering into a credit agreement, Barclays needed to check that Mr C could afford to meet his repayments out of his usual means for the term of the loan, without having to borrow further and without experiencing financial difficulty or other adverse consequences. The checks Barclays carried out needed to be proportionate to the nature of the credit (the amount borrowed or the term, for example) and to Mr C's particular circumstances. The overarching requirement was that Barclays needed to pay due regard to Mr C's interests and treat him fairly. CONC gave an example of contravening this as 'targeting customers with regulated credit agreements which are unsuitable for them by virtue of their indebtedness, poor credit history, age, health, disability or any other reason.'

With this in mind, my main considerations are did Barclays complete reasonable and proportionate checks when assessing Mr C's applications to satisfy itself that he would be able to make his repayments without experiencing adverse consequences? If not, what would reasonable and proportionate checks have shown and, ultimately, did Barclays make fair lending decisions?

Barclays said to Mr C in its final response that it relied heavily on what he'd said about his income and expenditure to assess his loan applications. Barclays provided us with the figures declared by Mr C in his applications but little else about its checks. Barclays also said to Mr C in its final response that other credit was showing during the application process but there didn't appear to be any arrears to be considered and no defaulted debt could be seen. I've assumed therefore that Barclays also relied on information from Mr C's credit file.

Mr C provided the following figures in his application for his December 2018 loan, and I've assumed those provided in his April 2018 application were similar.

Income:	£2,000
Housing:	£0
Council Tax:	£0
Utility:	£0
Other:	£1,302
Barclays loan 3:	£264 (or £254 for Loan 2 for the April application)
Non-Barclays borrowing:	£150

The regulations at the time stated that it wasn't generally sufficient for a lender to rely solely on a customer's statement of current income in a creditworthiness assessment. Mr C's wages were paid into his Barclays bank account and so the bank had access to this information. It would have seen that Mr C's income was as he'd said so further consideration of this figure wouldn't have revealed an inconsistency. A check on his expenses would have also confirmed the figures he'd given were broadly what he spent.

Mr C provided a recent copy of his credit file which shows he had six active accounts at the time of his April loan, including a Barclays credit card, with combined balances of around £4,000. As Barclays said there was no adverse information recorded against his accounts.

Mr C said that he was in a debt management plan at the time but there's no evidence of this on his credit file or evidence of arrangements for reduced payments on any of his accounts. I've assumed that the plan had been running for some time prior to this loan and that any debts included in it were no longer showing on Mr C's credit file. I haven't seen any payments from Mr C's bank account into a payment plan and I don't think it's likely that Barclays would have known about this unless Mr C raised it.

Altogether, I can't say that there was anything in the information Barclays relied on about Mr C's circumstances that should have led it to decline this loan application or should have prompted it to complete further checks before entering into the agreement. There were no obvious signs of financial difficulty in the information Barclays relied on and the loan repayments weren't so large relative to Mr C's means that they were clearly unaffordable. I haven't found that Barclays lent irresponsibly on this occasion.

Mr C gave the above income and expenses when he applied for his December loan. As before, had Barclays verified Mr C's income figure it would have found that it was as he'd said. A check on his expenses would have also confirmed the figures he'd given were broadly what he spent, though I can see from his bank statements that he was paying more on his debts, about £200 on average in the months prior to this final loan.

By December 2018, Mr C had opened two new accounts and his non-Barclays borrowing was higher at around £6,500 altogether. I can see from his credit file that his Barclaycard balance was zero and, as before, there was no adverse information recorded against his account. Mr C used the additional capital borrowed in December towards three of his credit cards and so I don't think Barclays increased the overall amount of debt Mr C owed. For the same reasons I've given above, I don't think Barclays lent irresponsibly here.

I have thought about whether Barclays treated Mr C fairly by agreeing these loans. After all he'd borrowed twice before in 2017 and each loan had been refinanced into the next, so it doesn't seem to me that Mr C had made any inroads into his debt with the bank over the 18 months or so he'd been making repayments to it. Mr C said he used the original loan to clear the balances on his credit cards but he continued to spend on them and so his overall debt increased. As I'd noted above Mr C's debt had increased in the period between his two loans in 2018. However, I don't think I can say it had increased to the point that it was obvious further lending was going to be unaffordable for him and he'd need to borrow to repay it, or that he was indebted to the extent that it was clear further lending was unsuitable for him.

Mr C made his repayments on time for these loans until mid-2022. He explained that he lost his job and found it impossible to meet his debt repayments. He shared with us that his debts have seriously impacted on his mental health over the years and he is in financial difficulty. I am very sorry to hear of the difficulties Mr C is facing with his finances and with his health. I am also sorry that I am not able to offer him the outcome he was hoping for on his complaint. I hope I've clearly explained how I've reached my decision. I would remind Barclays of its obligation to treat Mr C with forbearance and due consideration regarding his outstanding balance.

My final decision

For the reasons I've explained above, I am not upholding Mr C's complaint about Barclays Bank UK PLC and don't require it to take any action.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 5 December 2023.

Michelle Boundy
Ombudsman