

Complaint

Mr B has complained about credit card limit increases Barclays Bank Plc (trading as “Barclaycard”) provided to him. He says his transactions were not considered adequately and this resulted in his credit limit being increased in circumstances where it shouldn’t have been.

Mr B is being assisted in his complaint by his father, Mr B Sr.

Background

Barclaycard initially provided Mr B with a credit card in February 2013. Mr B was given an initial credit limit of £1,000.00. The credit limit on Mr B’s credit card was increased on six occasions until it reached £11,000.00 in April 2019.

We previously explained why we’re not able to look at Barclaycard’s decision to provide Mr B with a credit card, or increase the credit limit on the first four occasions (in other words, what happened on the account prior to July 2017). So we’ve focused on what has happened since this point – the limit increases from £7,500.00 to £10,500.00 in March 2018 and the limit increase from £10,500.00 to £11,000.00 in April 2019.

One of our investigators reviewed what Mr B and Barclaycard had told us. And he thought Barclaycard hadn’t treated him unfairly when offering Mr B his limit increase to £10,500.00 in March 2018. It also became apparent that Barclaycard had proactively accepted that it shouldn’t have increased Mr B’s credit limit to £11,000.00 in April 2019 and had already compensated Mr B for this.

Barclaycard compensated Mr B for its actions in April 2019 by refunding the extra interest Mr B paid on balances between £10,500.00 and £11,000.00, which is what we would have directed it to do in circumstances where we were to uphold the complaint about this increase.

Our investigator considered this to be fair and reasonable and he didn’t think Barclaycard had acted unfairly towards Mr B when increasing his credit limit to £10,500.00 in March 2018. So overall he didn’t think that Mr B’s complaint should be upheld or that Barclaycard needed to pay any further compensation.

Mr B Sr, on behalf of Mr B, disagreed and asked for an ombudsman to look at the complaint.

My findings

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

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Mr B’s complaint.

Having carefully considered everything, I'm not upholding Mr B's complaint. I'll explain the reasons for my decision in a bit more detail.

Barclaycard needed to make sure it didn't lend irresponsibly. In practice, what this means is Barclaycard needed to carry out proportionate checks to be able to understand whether Mr B could afford to repay any credit it provided.

Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

Barclaycard says it offered to increase Mr B's credit limit after it obtained some information on his income and expenditure as part of carrying out a credit search. In its view, the information obtained suggested that Mr B had an exemplary payment history. In Barclaycard's view, the information obtained indicated that Mr B would be able to make the monthly repayments due on a credit limit of £10,500.00.

On the other hand Mr B says that the credit card limit increase shouldn't have been provided to him. I've considered what the parties have said.

What's important to note is that Mr B was provided with a revolving credit facility rather than a loan. And this means that Barclaycard was required to understand whether a credit limit of £10,500.00 could be repaid within a reasonable period of time, rather than all in one go. A credit limit of £10,500.00 wasn't a small amount. However, as I've explained it didn't need to be repaid all in one go and it didn't require huge monthly payments in order to clear the full amount owed within a reasonable period of time. I say this bearing in mind that a reasonable period of time in this instance is likely to be the term of an equivalent loan offered for this amount.

I have to start by saying that I'm unclear on what Barclaycard's credit check showed. On the one hand, Barclaycard says that Mr B had no outstanding debt but on the other he had an exemplary payment history. Furthermore, all Barclaycard was able to do in relation to checking Mr B's income was determine another lender had validated this at the point of Mr B's last credit application.

Given the discrepancies here, I'm not able to say that the checks Barclaycard carried out before offering the March 2018 increase were reasonable and proportionate. As this is the case, I've considered the information Mr B has provided in order to decide what proportionate checks are likely to have shown. I want to make it clear that in looking at the bank statement information provided, I've not done so because this is what I think that Barclaycard ought to have considered before deciding whether to increase Mr B's credit limit in this instance. I've considered it because it has all the information that I now need to look at what is likely to have shown had proportionate checks been carried out, a number of years after the event.

Given the circumstances here, the amount Mr B would have to repay in the event that he used the full amount of the credit it was possible for Mr B to utilise after the increase, I think that Barclaycard needed to have a reasonable understanding of Mr B's income, regular credit commitments and his regular living costs at the time of the application. Having

considered the bank statements provided, I don't think that Barclaycard would have made a different decision even if it had asked Mr B for information income, regular credit commitments and his regular living costs.

I don't agree that the £7,000.00 payment Mr B made in March 2018, which I understand came as a result of a balance transfer, it itself meant that Mr B could sustainably repay £10,500.00 within a reasonable period of time. That said, while I don't agree with Barclaycard's assertion that this payment meant that it was reasonable to offer Mr B a further limit increase, I still think that looking further into Mr B's income, regular credit commitments and his regular living costs, wouldn't have seen Barclaycard make a different decision.

I say this because the information provided suggests that when Mr B's committed non-discretionary regular living expenses and existing credit commitments were deducted from what he received each month, he appears to have had the funds to make a sustainable repayment for this credit card. So, in these circumstances, it's difficult for me to conclude that Barclaycard wouldn't have lent even if it had tried to find out more about Mr B's regular living costs at this time.

Having taken a closer look at Mr B's bank statements, I can clearly see a matter that might have seen Barclaycard conclude that Mr B could have some difficulty sustainably making the required payments. I also accept that if Barclaycard had seen this information – it's possible, but by no means certain - that it may have reached a different decision. Furthermore, I know that Mr B Sr has had some discussion with the investigator over these transactions and whether this was an issue. Mr B Sr has confirmed that as Mr B was living at home in March 2018, these transactions wouldn't have affected his disposable income because of his low outgoings at the time.

In any event, given the circumstances here and what Barclaycard needed to find out, I don't think that reasonable and proportionate checks would have extended into obtaining bank statements – especially as bank statements weren't the only way that Barclaycard could find out about Mr B's living expenses in the first place. So I don't think that Barclaycard would have known about the transactions on Mr B's current account even if it had carried out further checks.

I've also carefully considered what Mr B Sr has said about Mr B's domestic situation in the time after this limit increase and the one in April 2019 was provided. All parties are aware of the sensitivities of Mr B's circumstances. As this decision will be published and in an effort to ensure Mr B's privacy, I see no reason to set out the full details of this here. But I have considered everything provided in full.

It's clear to see that Mr B has gone through a very difficult time. And I'm very sorry to hear about this. That said, I still need to consider whether Barclaycard ought to have known about what was going on and whether this ought to have factored into its lending decisions. Having looked at Mr B's credit card statements for the period concerned, I can't see anything on them that ought reasonably to have led Barclaycard to proactively intervene or conclude that Mr B couldn't repay what he owed from a lending perspective. Mr B Sr says that these transactions were unusual for Mr B. But the transactions that were being made were commensurate with someone that had moved house and had a new family.

Furthermore, by this stage the credit limit increases had by and large already been given. While I appreciate there is some dispute over whether Mr B applied for the April 2019 increase or whether Barclaycard offered this to Mr B proactively, in any event Barclaycard has already accepted that it shouldn't have increased Mr B's credit limit at this point.

Equally, where it has already been concluded that an individual can afford a credit limit increase, such as the one agreed for Mr B in March 2018, I wouldn't expect a lender to immediately intervene when a customer uses that credit – after all the customer has already been granted the use of the facility. This is particularly if the increased usage ties in with a change of circumstances.

I appreciate that this is not the same as whether Barclaycard ought to have taken steps to intervene on the transactions being conducted, particularly in relation to the usage of the account being different to what it had been prior and whether this meant that more needed to be done to check whether these were authorised by Mr B.

But this isn't the complaint that's before me. Mr B Sr and Mr B have been told that for a complaint about whether Mr B authorised the transactions, Mr B would have to make complaints about this in itself, rather than complaint about whether it was responsible to have granted Mr B a credit limit increase. So if Mr B wishes Barclaycard to consider whether it acted fairly and reasonably in processing the individual transactions made after the limit increase in question, he'll need to complaint to Barclaycard about this matter in the first instance.

Overall, having considered everything and while I sympathise with Mr B's situation, I'm satisfied that Barclaycard didn't act unfairly towards Mr B when increasing his credit card limit in March 2018. And as Barclaycard has already put things right in the way I would direct it to were I to conclude that it shouldn't have provided the April 2019 increase, I'm therefore not upholding this complaint. I appreciate this will be very disappointing for Mr B and Mr B Sr – as it is clear that they feel strongly about this matter. But I hope they'll understand the reasons for my decision and that they'll at least feel Mr B's concerns have been listened to.

Although I'm not upholding this complaint, I'd like to remind Barclaycard of its obligation to exercise forbearance and due consideration in relation to the defaulted balance on Mr B's account should it be the case that he is experiencing financial difficulty.

My final decision

For the reasons I've explained, I'm not upholding Mr B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 23 February 2024.

Jeshen Narayanan
Ombudsman