

The complaint

Miss D has complained that Barclays Bank UK PLC trading as Barclaycard acted irresponsibly when it approved her for a credit card in 2019 and then increased the limit on the card a few weeks later. In addition, she has said that Barclaycard failed to pick up on the fact that she was struggling to manage the card properly and was financially vulnerable as a result of compulsive gambling.

Background

Miss D applied for a credit card with Barclaycard in September 2019. Her application was approved, and she was given a card with an £200 opening limit. Then in October 2019 the limit on the card was increased to £800. Miss D has said that the card was never genuinely affordable and that she had a gambling problem which resulted in her using her card to gamble and left her in financial difficulty. She thinks Barclaycard acted irresponsibly when it gave her the card and that it failed to provide her with adequate support when she started to show signs of financial vulnerability.

Barclaycard has said that when it approved Miss D's application for the credit card it ran all necessary checks to ensure it was affordable. It said the account was opened in late September 2019 with a low limit of £200 which was increased in October before Miss D was issued with her first bill. It agrees that the card was used for gambling before April 2020 but that at the time it was possible to use the card in that way. It says that it couldn't 'legally prevent' Miss D from using her card to gamble at the time and so doesn't think it did anything wrong. It didn't comment on the allegation that it failed to provide adequate support to someone who was showing signs of financial vulnerability.

Unhappy with Barclaycard's response Miss D brought her complaint to our service. I issued a provisional decision on 1 December 2023. In it I said that although the lending decision was reasonable there were clear signs that Miss D was struggling to manage her account properly and Barclaycard had failed to query this with her or offer any meaningful support, which it's obliged to do. So, I upheld Miss D's complaint and directed Barclaycard to pay her £350 compensation in recognition of impact its failings had on Miss D.

Both Barclaycard and Miss D accepted my findings with no further comments. As no new information has been provided since the provisional decision was issued my findings remain the same. For the sake of clarity, I will repeat them below.

My findings

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

Having done so I agree the checks carried out by Barclaycard at the point of application appear to have been proportionate and the lending decision reasonable based on the information available to it at the time. The account was opened with a low limit of £200 and based on the information provided by Miss D, and what was evident on her credit file at the time, this would've been affordable to her. Within a few weeks of getting the card the limit was increased to £800, which also appears to have been affordable based on Miss D's circumstances at the time.

So, I don't think Barclaycard were wrong to provide Miss D with the card or the subsequent limit increase shortly afterwards. But I do think it missed clear signs that Miss D was struggling to manage the card effectively and this was something it should've noticed and acted on.

The rules that govern how credit providers make lending decisions and the type of support that should be provided to consumers are set out in Consumer Credit sourcebook ("CONC") which was issued by the Financial Conduct Authority ("FCA").

CONC 6.7.3 C, which was published in 2018 before Miss D applied for her credit card, states:

A firm must establish, implement and maintain an adequate policy for identifying and dealing with customers showing signs of actual or possible financial difficulties, even though they may have not missed a payment.

Looking at Miss D's account history I can see that by the time she was issued with her first bill the balance on the account was almost £350 which was considerably more than the initial £200 limit, although I appreciate it the limit increase appears to have happened before the first bill was issued so this didn't register as exceeding the limit on the account.

The following month though, which was Miss D's second bill, she had exceeded her new, higher limit. And indeed, the limit continued to be exceeded for the next 3 months. It wasn't until February 2020 that Miss D managed to bring the balance below her upper limit and even then it was only just under at £799.23. Then in March 2020, the balance was back up over the limit again.

In addition to exceeding the limit, in January 2020 Miss D failed to make the minimum payment required on the account. This was only the fourth bill she'd received from Barclaycard.

There were also unpaid direct debits registered on the account as early as November 2019, only 2 months after it was opened. Similar unpaid direct debits were registered in December 2019 and again in March 2020.

The fact that Miss D struggled to manage her card and keep her spending within the agreed limit, and make her monthly repayments on time, should've prompted Barclaycard to review how the card was being used. This behaviour is indicative of someone who is showing signs of actual or possible financial difficulties.

So, there was an obligation under CONC for Barclaycard to review the account to understand what was causing Miss D problems. And I think Barclaycard should've reviewed the account by January 2020, by which time Miss D had exceeded the agreed limit three months in a row and had failed to make the minimum payment due on the account.

If it had done that it would've seen that Miss D had been using her card to gamble since she had received. And the level of gambling had increased steadily each month. As noted by our

investigator already, in October's bill Miss D had gambled £100 (50% of the original limit and 12.5% of the increased limit), in November this had increased to £200, or 25% of her limit and by April 2020 it had gone up again to £350, or 43.75% of the full limit on the card.

I appreciate that the ban on gambling retailers in the UK accepting payment via a credit card only came into place in April 2020. So, I understand why Barclaycard has said that prior to that it couldn't have stopped a consumer from using their card to gamble if they wanted to. But I don't agree with Barclaycard's inference that this meant it 'couldn't legally prevent' Miss D from using its card to gamble. And I note the investigator didn't state that Barclaycard should've blocked the transactions on the account but rather that it should've contacted Miss D to discuss the overall management of the card, which would likely have included a conversation around the fact she was using it to gamble.

The behaviour on the account, which showed Miss D exceeding the agreed limit almost from inception, missing a payment very quickly after getting the card and direct debits being returned unpaid, all indicated that she was struggling to manage her finances. Barclaycard should've contacted Miss D to discuss that and find out if she needed any help or support. Therefore, I agree with the investigator's findings, and I think that there was an obligation under CONC for Barclaycard to have picked up on the clear signs of vulnerability on Miss D's account and acted on them.

By early 2020 Barclaycard should've contacted Miss D directly to discuss how she was managing the card. What I can't be sure of is what the outcome of that conversation would've been. Had Barclaycard spoken to Miss D in January 2020 the gambling would've been evidenced on the account but wouldn't have yet reached the higher spend that happened in March 2020.

So, I'm not comfortable saying that Barclaycard should refund all the interest and charges added since the inception of the account as I don't think there's enough evidence to suggest that any support offered in January 2020 would've immediately resulted in Miss D no longer gambling.

But I do think Barclaycard should've offered some support and found out why Miss D was struggling so soon after getting the card. Especially when all of the initial checks indicated that it should've been affordable for her.

Therefore, I'm upholding Miss D's complaint on the basis that Barclaycard failed to identify Miss D as potentially vulnerable despite clear signs of stress on her account from the start. And for that failure I think Barclaycard should pay Miss D £350 compensation. But I don't think it needs to refund the interest or charges applied to the account as I think these were applied fairly.

Putting things right

Barclays Bank UK PLC trading as Barclaycard should pay Miss D £350 compensation in recognition of the distress caused by its failure to offer her adequate support.

My final decision

For the reasons set out above I uphold Miss D's complaint against Barclays Bank UK PLC trading as Barclaycard

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss D to accept or reject my decision before 02 February 2024.

Karen Hanlon
Ombudsman