

## **The complaint**

Mr H complains that Barclays Bank UK PLC trading as Barclaycard granted him credit he couldn't afford to repay.

## **What happened**

Barclays opened a credit card account for Mr H in August 2017. This type of credit was an open-ended or running account facility and the credit limit was £1,200.

Mr H said that Barclays should never have allowed him to open an account with a £1,200 limit because he had a number of other credit cards and loans at the time and it should have seen it was unaffordable for him. Mr H said that he is still paying back the credit and the interest along with his other debts. I understand that the account is now closed to further borrowing.

Barclays said that it carried out an appropriate affordability check before opening the account for Mr H and found no adverse information on his credit file. Barclays said there was no evidence of any impending problems prior to opening the account and didn't agree it had been irresponsible to lend to Mr H. It didn't uphold his complaint.

Mr H referred his complaint to us. One of our investigators looked into things and recommended that his complaint be upheld. They found that Barclays should have gone further in its checks before opening the account. Had it done so, Barclays would have learnt that Mr H was having financial difficulties and further credit was likely to be unaffordable for him.

Barclays didn't agree with this recommendation and asked for the complaint to come to an ombudsman to decide and it came to me. I issued a provisional decision on 12 December 2023 explaining why I planned to uphold Mr H's complaint.

Barclays didn't agree with my provisional conclusions and provided comments for me to consider when making 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.

Having reviewed the complaint again, including what Barclays said in response to my provisional decision, I remain of the view that Mr H's complaint should succeed. I appreciate that will be very disappointing for Barclays and I'll set out again my reasons for upholding his complaint in this final decision on the matter and refer to Barclays' response where appropriate.

As before, I've 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 them.

Before entering into a credit agreement or significantly increasing the credit limit, Barclays needed to check that Mr H could afford to meet his repayments sustainably. In other words out of his usual means, within a reasonable period of time, without having to borrow further and without experiencing financial difficulty or other adverse consequences. The checks needed to be proportionate to the nature of the credit (the amount borrowed, for example) and to Mr H's circumstances.

The overarching requirement was that Barclays needed to pay due regard to Mr H'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.'

Bearing all of this in mind, my main considerations are did Barclays carry out proportionate checks when it opened the account for Mr H? If not, what would such checks have shown and did Barclays make a fair lending decision? Did Barclays treat Mr H unfairly in any other way?

I said in my provisional decision "Before opening the account Barclays asked Mr H about his income which he said was £36,000 a year, in other words around £2,300 net a month. It sense-checked this figure using a credit reference agency tool which it said provided a high level of confidence in the figure. Barclays estimated Mr H's living costs as £736 and his rent as £486."

Barclays had said to Mr H in its final response to his complaint that it verified his income information using an external credit reference agency, and I assumed it had estimated his living costs. In its response to my provisional decision Barclays said that income verification wasn't part of its application process when Mr H applied for his credit card. It said that it relied on Mr H's confirmation of his income and his expenditure along with information showing on his credit file for its assessment.

The credit file information Barclays relied on showed that Mr H had one active loan with monthly repayments of £223 and a hire purchase agreement with repayments of £235. He also had a credit card account. There was no adverse information reported about these accounts. Barclays concluded that the account repayments would be affordable for Mr H.

The regulations at the time stated that it wasn't generally sufficient for a lender to rely solely for its assessment of a customer's income and expenditure on a statement of those matters made by the customer. I'd said in my provisional decision that although Barclays may have sense-checked what Mr H had said about his income I couldn't see that it verified his actual means, which it has now confirmed.

While there was no adverse information such as missing payments or defaults showing on the credit file information Barclays had, the loan Mr H had recently taken out appears to be a 12 month short term loan. This information of itself might not have raised concerns but Mr H had a recent history of short term borrowing, which Barclays could see. He'd taken out 14 short term loans in 2016, the last four of which were taken out in September 2016 so within the previous 12 months.

Having considered this point carefully, I've concluded that a reasonable and proportionate response from Barclays on this occasion would have been to look into Mr H's finances in more depth before opening the account for him, which would include confirming his income

and expenditure. The information Barclays had indicated that Mr H might have been having ongoing financial issues and that further lending might be unaffordable or unsuitable for him.

Mr H provided us with his bank statements and I've reviewed these. To be clear I'm not suggesting this is the information Barclays should have relied on, but it is the information I have and I think it's reasonable for me to rely on these to consider what further checks might have revealed.

The statements show that Mr H's income was around £2,000 comprising wages and child benefit payments. They also show that Mr H's rent and council tax came to £1,270. Basic bills including insurance, utilities, car tax and media came to £300 and he paid nursery fees of £400 a month on average in the three months prior to opening the account. Even without considering other usual living costs, such as food and travel, or debt repayments, it's clear that Mr H was spending more than he earned. The bank statements also show that in addition to the two loans Barclays knew about, Mr H had taken out a second short term loan of £1,200 in May to cover his rent payment and had drawn down £1,600 on a high cost revolving credit facility in July.

I think Barclays would have realised through a proportionate check that Mr H was reliant on credit to meet his living costs and wasn't likely to be able to afford to meet his repayments for this account sustainably. It follows that I think Barclays was irresponsible to open the account for Mr H and it should take steps to put things right for him.

Barclays provided a history of the account transactions and the information it gathered about Mr H's debts throughout the time he held the account. It's clear from this that Mr H's financial situation didn't improve and he continued to borrow, reaching a maximum of £25,000 on unsecured credit within a year of opening the account. The balance on this account went above the agreed credit limit in October 2018 and remained above the limit for almost three years until August 2021.

Barclays should have been monitoring Mr H's repayment record and any other relevant information it held and taken appropriate action where there were signs of actual or possible financial difficulties. According to the regulator, appropriate action might include considering suspending, reducing, waiving or cancelling any further interest, fees or charges. I am not aware that Barclays took any proactive steps in this regard but I haven't made a finding as to whether or not it should have because the redress I've set out below includes removing all interest, fees and charges applied to the account from the onset.

### **Putting things right**

As per our usual approach I think it's fair that Mr H repays the capital he borrowed as he's had the use of this but he shouldn't pay any interest, fees, charges or premiums associated with the account.

Therefore, Barclays should:

- Rework the account removing all interest, charges or insurance premiums that have been applied;
  - If the rework results in a credit balance, this should be refunded to Mr H 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 Mr H's credit file; or
  - If after the rework, there is still an outstanding balance, Barclays can use the above refund to reduce this balance and if necessary should arrange an affordable repayment plan with Mr H for the remaining amount.

- Once Mr H has cleared the balance, any adverse information in relation to the account should be removed from his credit file.

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

### **My final decision**

For the reasons given above, I am upholding Mr H's complaint about Barclays Bank UK PLC trading as Barclaycard and it now needs to put things right for him as I've outlined.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 9 February 2024.

Michelle Boundy  
**Ombudsman**