

The complaint

Mr B, through a representative, says Barclays Bank UK PLC, trading as Barclaycard, irresponsibly lent to him.

What happened

Barclaycard provided Mr B with a credit card with a limit of £1,000 in August 2010. The limit was then changed (up and down) over the subsequent years. The last two limit increases were in January 2019 from £5,600 to £8,400 and then in October 2019 to £11,400. Both parties are aware that this complaint covers solely these last two limit increases. This is due to the rules we must follow about when a complaint can be brought to this service, relative to when the event being complained about happened.

One of our investigators reviewed what Mr B and Barclaycard had told us. And he concluded that Barclaycard's checks were not proportionate, and better checks would have shown that Mr B could not afford either limit increase. So he recommended that Mr B's complaint be upheld.

Barclaycard disagreed and asked for an ombudsman's review. It said if Mr B's discretionary spending was excluded, he had sufficient disposable income to afford both limit increases. His bank statements show a high level of non-essential spending. Whilst it accepts it had historically reduced Mr B's credit limit, Mr B then started to make larger repayments and maintained a low balance suggesting his finances were stable and better managed.

I reached a different conclusion to the investigator and planned to uphold Mr B's complaint in part. So I issued a provisional decision to give both parties a chance to comment. An extract follows and forms part of this final decision. I asked for comments by 5 February 2024.

Extract from my provisional decision

Barclaycard says it has evidenced that it completed proportionate and borrower-focused checks before increasing Mr B's credit limit. On the other hand Mr B says Barclaycard should have done more before providing him with additional credit, it was clear he was using his credit card online to gamble.

I've considered what the parties have said. I can see that Barclaycard gathered certain information on Mr B's circumstances before increasing the limit both times. It checked his income using an external service that checks current account turnover and it reviewed his internal account management and external credit commitments. From these checks combined Barclaycard concluded Mr B could afford the additional credit.

I am not persuaded these checks were proportionate given the January 2019 limit increase followed a limit decrease, and I am also not of the same view of the lender that because a consumer can afford one limit it is reasonable to assume they can afford a much higher limit without more detailed financial checks. I cannot see Barclaycard took any steps to understand Mr B's disposable income – and it had easy access to the information it needed to do this as Mr B's primary current account was at Barclays.

I have therefore reviewed Mr B's bank statements from the months prior to each increase to understand what better checks would most likely have shown Barclaycard. I am aware its limit decisioning was most likely fully automated, but that does not mean it could fairly ignore information it had access to that was relevant.

Limit increase to £8,400 in January 2019

Our investigator concluded as the relevant statements showed Mr B's outgoings exceeded his incomings the limit increase was not affordable. Barclaycard disagreed, arguing much of Mr B's spend was discretionary. I accept the lender's point that it was not expected to take discretionary spend into account in its affordability analysis.

Mr B's statements are hard to analyse as there are frequent transfers to and from other accounts. So I have looked predominantly at his monthly salary and what seem to be his fixed outgoings – he made a monthly transfer (and more than one in some months) to a joint account with the narrative 'bills'.

On this basis I think this limit increase was affordable for Mr B. Also, he had no other credit elsewhere at the time and there were none of the typical signs of financial difficulties on his account – such as persistent reliance on an overdraft; returned direct debits; informal borrowing or use of payday loans. And Mr B was not using his credit card to gamble online as he recalls – the majority of his transactions were for transport, restaurants, entertainment/leisure and groceries.

It follows I don't find Barclaycard was wrong to offer this limit increase.

Limit increase to £11,400 in October 2019

At this time I think there were early indicators that Mr B's financial position was no longer stable and so to further extend his credit was irresponsible. I say this for a number of reasons combined: there was a returned direct debit in July 2019; he had started to use this credit card to withdraw significant amounts of cash; and he would now need to spend almost a third of his income each month to sustainably repay this credit (if he opted to use the full limit) and the other credit commitments he now had. There were also three instances of over limit fees since the previous increase. I note Mr B cleared the majority of his balance in August 2019 but Barclaycard does not know how he did that. So, in the round, I find had Barclaycard carried out proportionate checks it ought to have realised there was a high risk that any further borrowing at this stage could go on to cause financial harm to Mr B.

It follows I find Barclaycard was wrong to offer this limit increase.

I then set out what Barclaycard would need to do to put things right if I upheld Mr B's complaint in part.

Mr B responded and said he had nothing further to add. Barclaycard did not respond.

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.

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.

As neither party submitted any comments or new evidence I have no reason to change the

findings or outcome I set out in my provisional decision.

It follows I find Barclaycard was wrong to increase Mr B's limit to £11,400 in October 2019.

Putting things right

As I don't think Barclaycard should have given Mr B a credit limit above £8,400, I don't think it's fair for it to charge any interest or charges on balances above this limit. However, Mr B has had the benefit of all the money he spent on the account so I think he should pay this back. Therefore, Barclaycard should:

- Rework the account removing all interest, fees, charges and insurances (not already refunded) that have been applied to the credit card on any balance above £8,400.
- If the rework results in a credit balance, this should be refunded to Mr B along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement. Barclaycard should also remove all adverse information recorded from 28 October 2019 onwards regarding this account from Mr B's credit file.
- Or, if after the rework an outstanding balance still exists then Barclaycard should arrange an affordable repayment plan with Mr B for the remaining amount. Once Mr B has cleared the outstanding balance, any adverse information recorded from 28 October 2019 onwards in relation to the account should be removed from his credit file.

*HM Revenue & Customs requires Barclaycard to deduct tax from any award of interest. It must give Mr B a certificate showing how much tax has been taken off if he asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

My final decision

I am upholding Mr B's complaint in part. Barclays Bank UK PLC, trading as Barclaycard, must put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 5 March 2024.

Rebecca Connelley
Ombudsman