

The complaint

Mr and Mrs H say Barclays Bank UK PLC lent to them irresponsibly.

What happened

Mr and Mrs H took out a Resolve loan from Barclays on in December 2012. The loan was for £3,500 and the term was 30 months. It was repaid by October 2014. The loan was taken out as Mr and Mrs H had failed to keep to the terms of their Barclays overdraft reduction plan and needed to repay the money owed.

Mr and Mrs H say Barclays cancelled their overdraft facility out of the blue and demanded payment, yet then gave them this loan. They could not afford it.

Barclays said Mr and Mrs H could not raise their complaint as it was outside the time limits set by the regulator and that this service must follow. An ombudsman issued a decision on 15 December 2023 explaining why we could consider the complaint. Following this Barclays said it no longer held much information on the loan, but explained it offered the loan to allow Mr and Mrs H to repay their overdraft as they had been unable to meet the terms of its balance reduction plan.

Our investigator did not uphold Mr and Mrs H's complaint. She said based on the available evidence she was unable to say Barclays' lending decision was irresponsible.

Mr and Mrs H disagreed and asked for an ombudsman's review. They said, in summary, as Barclays could see they were often over their overdraft limit and they needed the facility even straight after payday: it was clear they were in financial distress and the loan would be unaffordable.

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.

Where the evidence is incomplete (as some of it is here) I have reached my decision based on the balance of probabilities. In other words, what is most likely given the available evidence and the wider circumstances.

Our approach to unaffordable/irresponsible lending - including all the relevant rules, guidance and good industry practice - is set out on our website and I have followed it here.

Barclays is required to lend responsibly. It needed to conduct checks to make sure that the credit it offered to Mr and Mrs H was affordable and sustainable. Such checks need to be proportionate to things like the value of the credit it offered, how much had to be repaid (including interest and charges) each month, their borrowing history with it and what it knew about their circumstances. But there is no set list of checks it had to do.

This means to reach a decision about an irresponsible lending complaint we typically

consider if the lender carried out proportionate checks; if so, did it make a fair lending decision based on the results of its checks; and if not, what better checks would most likely have shown. If the lender has an existing borrowing relationship we also need to think about whether there was a point at which the lender ought reasonably to have realised it was increasing indebtedness in a way that was unsustainable or otherwise harmful and so shouldn't have provided further credit.

Unfortunately given the time since this loan was granted Barclays has limited information to show what checks it carried out. This is not surprising or unreasonable given it is over ten years ago. However, in this case the circumstances of the lending allow me to understand and assess the lending decision to some extent.

The loan was a Resolve loan – and as the name suggests it was designed to help people with existing financial challenges. Mr and Mrs H had been reliant on a Barclays overdraft facility for a number of years. They recall Barclays then withdrew it out of the blue and demanded repayment. But I can see from the bank's evidence that the parties had agreed an overdraft reduction plan back in November 2011. That had failed at some point and so, as warned in November 2011, the bank requested repayment of the debt. This seems not to have happened until a year later so I cannot see it was out of the blue. The Resolve loan was put in place to allow Mr and Mrs H to repay their overdraft – it was not an extension of further credit, rather it was different terms to allow them to try to repay the debt already owing. Barclays has told us with such loans the borrowers agreed the level of monthly repayment and the loan term (subject to a maximum). Barclays has been unable to provide the terms and conditions of their overdraft facility, but it seems the Resolve loan had an APR of just over 15% so it is likely it was a more affordable way for Mr and Mrs H to repay the debt.

So whilst I cannot know if Barclays carried out checks to understand Mr and Mrs H's external borrowings to supplement its internal data, and cannot therefore conclude if its checks were proportionate, or not, I do know that as no new money was lent and the loan was structured to help Mr and Mrs H avoid defaulting on their current account, it is reasonable to conclude it was most likely not financial harmful, and rather helpful.

It follows, based on the available evidence, I cannot fairly conclude Barclays was wrong to give this Resolve loan to Mrs and Mrs H.

My final decision

I am not upholding Mr and Mrs H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs H to accept or reject my decision before 1 April 2024.

Rebecca Connelley
Ombudsman