

The complaint

Mr W complains that Barclays Bank UK PLC, trading as Barclaycard ("Barclaycard"), irresponsibly granted him a credit card he couldn't afford to repay.

What happened

In November 2007 Mr W entered into an agreement with Barclaycard to have access to credit by way of a credit card account. He was later granted credit limit increases, first to £3,000 in January 2013, then to £7,000 in December 2015 and finally to £11,800 in August 2017.

Mr W says Barclaycard didn't complete adequate affordability checks when it opened his account and went on to grant him the credit limit increase. He also says that due to difficult family circumstances he was experiencing between 2010 and 2016 Barclays worsened his financial situation by granting him further credit.

Barclaycard didn't agree, saying it carried out a reasonable and proportionate assessment to check Mr W's financial circumstances before granting him the credit card account and each of the credit limit increases.

Our investigator, having looked into the merits of the complaint, recommended that the complaint should be partially upheld, from the date of the first credit limit increase in January 2013.

As Barclaycard didn't agree the complaint has been passed to me for a 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.

Barclaycard will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don't consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

I'm in agreement that Barclaycard unfairly increased Mr W's credit limit when it first increased it in January 2013. I will explain why:

- Given that the initial lending was in 2007, we have very little information from Barclaycard. Since lenders are only required to hold account details - including lending information - for a limited time, this isn't something where I'm able to say Barclaycard should have operated its processes better. I would however have expected Barclaycard to gather a proportionate amount of evidence and information from Mr W about his ability to repay. At that time this would include consideration of Mr W's credit commitments, his ability to repay the lending, how

he'd been handling his financial affairs in the past and his income. This would be in addition to carrying out a credit check. But I've also kept in mind that Mr W has pointed to the time from 2010 onwards as being the period when his home circumstances were affected by the serious illness of a close family member. This had a knock-on effect on the way he was handling his own financial situation as he responded to the challenges he was now facing. So as things stand, I don't have evidence to show or suggest that Barclaycard acted unfairly in its decision to grant Mr W the initial opening credit.

- Turning to the first credit limit increase - when the account limit was increased to £3,000 from £1,500 in January 2013 - I've seen that by this point Mr W was making use of his overdraft with Barclays Bank and it could be seen that he'd been unable to take any significant steps towards reducing it over a significant period of time, with its use steadily increasing to the point that using most of it in the second half of 2012. His overdraft use would have showed in his credit check – and an even greater level of detail would likely have been available to Barclaycard via its internal systems, so it could have seen what was happening.
- Meanwhile, Mr W was continuing to borrow from other lenders which, given his income at the time of the increase, suggests that his financial situation might be becoming unsustainable. Barclaycard has said that Mr W's financial position improved because his salary went up in the same month. Also, in March 2013, he received funds from other accounts. But when looking at what happened I have to look at the information that was available to Barclaycard at the time it made its lending decision and not rely on the benefit of hindsight. From what I've seen the lending decision wasn't based on these issues. Mr W was also dipping into his savings to fund one-off purchases that he wasn't able to pay for out of his regular income from his employment.
- I also think that the way Mr W was repaying his card from month to month suggests an irregular pattern of borrowing and potential sustainability issues, whereby he may have been borrowing from elsewhere to meet those repayments, including using savings. I've seen that Mr W looks to have exceeded his limit on or around 1 January 2013 but had nevertheless made three substantial payments in the previous three months.
- The overall picture I've therefore gained is that Mr W was not succeeding in his managing his finances in a consistent and sustainable way such that he would benefit from a further credit limit increase. I appreciate that Mr W's home situation was difficult and stressful, and I recognise that the detail of this isn't something that I could reasonably have expected Barclaycard to know about, unless Mr W informed them. But I think there was enough evidence, given Mr W's use of his overdraft, his borrowing elsewhere and irregular pattern of account usage to suggest that his financial position was at risk of deterioration and could leave him unable to repay the card in a regular and sustainable way over a reasonable period of time.

It follows that I don't think Barclaycard was acting fairly in increasing Mr W's credit limit at a time when he was having difficulty managing his Barclays Bank overdraft, was paying other credit and had a pattern of usage of his card that suggested he might be in difficulty with meeting his payments to his Barclaycard sustainably.

I therefore agree with our Investigator that Barclaycard failed to properly take into account that the data they relied on was likely to leave Mr W overstretching his finances if he was granted further credit.

It also follows that I agree that Barclaycard didn't carry out sufficient checks to ensure that the credit limit increase would likely be affordable for Mr W.

Putting things right – what Barclaycard needs to do

- Rework Mr W's account to ensure that from 10 January 2013 onwards interest is only charged on balances up to the opening credit limit of £1,500, (being the credit limit in place before that date) to reflect the fact that no further credit limit increases should have been provided. All late payment and over limit fees should also be removed; and
- If an outstanding balance remains on the account once these adjustments have been made Barclaycard should contact Mr W to arrange an affordable repayment plan for the account. Once Mr W has repaid the outstanding balance, it should remove any adverse information recorded on Mr W's credit file from 10 January 2013.

OR

- If the effect of removing all interest, fees and charges results in there no longer being an outstanding balance, then any extra should be treated as overpayments and returned to Mr W, along with 8% simple interest per year on the overpayments from the date they were made (if they were) until the date of settlement. Barclaycard should also remove any adverse information from Mr W's credit file from 10 January 2013.

†HM Revenue & Customs requires Barclaycard to take off tax from this interest. Barclaycard must give Mr W a certificate showing how much tax it's taken off if he asks for one.

My final decision

For the reasons set out, I'm partly upholding Mr W's complaint. Barclays Bank UK PLC, trading as Barclaycard, should put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 18 April 2024.

Michael Goldberg

Ombudsman