

The complaint

Mrs R complains that Barclays Bank UK PLC trading as Barclaycard lent to her irresponsibly when it granted her two credit card accounts and increased the limits on them through the years.

What happened

I set out the background to this complaint and my initial findings in my provisional decision dated 19 February 2024 (below)

What happened

Mrs R had two credit card accounts with Barclaycard. The first one – Account A was opened in June 2009 with an initial credit limit of £3,000. The credit limit was increased to £4,500 in December 2013 and to £6,000 in October 2016. The second – Account B was opened in August 2012 with an initial credit limit of £4,800 and this was increased to £6,300 in December 2013 and £7,800 in October 2016.

Mrs R complains that Barclaycard lent to her irresponsibly. She says at the time she opened each account her income was relatively low, she had a high income to debt ratio, meaning she could never have afforded them.

Barclaycard didn't investigate the complaint as it felt Mrs R had brought her complaint too late and outside of the relevant time limits. Mrs R brought her complaint to this service and our investigator believed it was one this service could consider; Barclaycard agreed with this and provided its file.

Our Investigator didn't uphold Mrs R's complaint. She thought that Barclaycard should have carried out further checks before opening the accounts and increasing the credit limits on them. But as she had been unable to establish a clear picture of Mrs R's financial situation in the months prior to each event, she was unable to say if further checks would have resulted in a different outcome.

Mrs R disagreed with our investigator's findings and so the matter has been passed to me to decide.

What I've provisionally 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.

I think it's important to firstly explain I've read and taken into account all of the information provided by both parties, in reaching my decision. Mrs R has sent this service a lot of information for me to consider during the course of her complaint. If I've not reflected something that's been said in this decision it's not because I didn't see it, it's because I didn't deem it relevant to the crux of the complaint. This isn't intended as a discourtesy to either party, but merely to reflect my informal role in deciding what a fair and reasonable outcome

is.

We've explained how we handle complaints about unaffordable lending on our website. And I've used this approach to help me when deciding Mrs R's complaint.

Barclaycard needed to make sure it didn't lend irresponsibly. In practice, what this means is it needed to carry out proportionate checks to be able to understand whether Mrs R could afford to repay any credit it provided.

Because of the length of time which has passed since the accounts were opened and the credit limits increased, Barclaycard hasn't been able to provide this service with details of the checks it completed. So, it isn't possible for me to conclude that it completed reasonable and proportionate checks. So, Instead, I've looked at what reasonable and proportionate checks would've shown had they been carried out.

Account A

Account opening , £3,000 limit - June 2009:

This account was originally provided by a different lender and was taken over by Barclaycard in November 2011.

Mrs R has provided evidence to show her annual income from employment in 2009 was approximately £14,500, and says she didn't have enough income each month to meet her commitments.

While I accept what Mrs R has said about her financial situation at the time, I haven't seen bank statements or any other evidence from this time to support this. Because of the limited information available to me, I'm unable to say this lending decision was irresponsible or unaffordable.

First limit increase to £4,500 – 23 December 2013:

I've reviewed Mrs R's credit card statements for the months leading up to her credit limit being increased. I can't see anything that suggests she was struggling to manage the account. Mrs R made payments exceeding the minimum for a period of 21 months prior to the increase. With one occasion where she exceeded the credit limit but quickly brought the balance back down. So, I don't think Barclaycard would have had any concerns about how she was managing her account at the time.

Before increasing the limit, I would expect it to have carried out a credit search to check there were no external factors that it should be concerned by such as checking to see how she was managing her external debts and that those hadn't increased to an unsustainable checks it carried out. But it has told us that at the time it carried out checks based on debt-to-income ratios and the likelihood of an account defaulting in the following twelve months.

Although Mrs R has been able to provide some bank statements and a copy of a more recent credit report, neither of these cover the time leading up to the credit limit increase. So, I'm unable to build a clear and true picture of Mrs R's financial situation at the time. Therefore, based on what I've seen I can't fairly say the credit limit increase was unaffordable or irresponsible.

Final increase to £6,000– 19 October 2016:

Again, Barclaycard has told us that it carried out checks before offering this increase to Mrs

R, which included account management checks, and affordability checks and income to debt ratios.

At the time of the increase Barclaycard has told us that Mrs R's external debt on other credit cards was £9,814 and she owed £3,093 on an overdraft on her joint current account. It believed at the time her income was around £16,000.

Having looked at her account statements from this time, I can see, just prior to the limit increase she was using around £3,500 of the available funds and paying the minimum payment each month or just above it.

Given what Barclaycard has told us it knew about Mrs R's other credit commitments, I would've expected it to have carried out more in depth checks before offering this increase. I say this because the last time Barclaycard had recorded a salary for Mrs R was in 2012 when she opened Account B, some four years earlier, so this information was out of date. Had it checked this it would have seen that at the time Mrs R was only earning around £600 per month, as she had reduced her working hours to take care of her daughter. This meant the borrowing she already had was unaffordable to her.

Putting this aside for a second, given Barclaycard believed her salary to be £16,000 per year, increasing this limit, increased her indebtedness to £18,907 - 118% of her annual salary. So regardless of it did or didn't carry out any additional checks, it should have been evident that this increase could cause Mrs R financial harm. And having looked at her statements following the limit increase, I can see Mrs R began using her card shortly after the increase for essential spending, such as grocery shopping and cash advances, as she became more reliant on the credit, and I think this was reasonably foreseeable.

Based on what I've seen I don't think Barclaycard made a fair lending decision and so I will be asking it to put this right later in this decision.

Account B

Account opening £4,800 limit – August 2012:

Mrs R has provided evidence to show her annual income from employment in 2012 was approximately £15,500, and that she didn't have enough income each month to meet her commitments.

Barclaycard said Mrs R provided an income of £16,000 per year on her application and said at the time it would have completed affordability checks, which combined the information Mrs R provided about her income and expenditure and credit checks. But again, due the passage of time, it was not able to provide copies of these checks.

As with account A, I haven't seen bank statements or any other evidence from this time to support Mrs R couldn't afford the account. And so, because of the limited information available to me, I'm unable to say this lending decision was irresponsible or unaffordable.

First limit increase to £6,300 – 23 December 2013:

I've followed the same approach here as with Account A. I've reviewed Mrs R's credit card statements for the months leading up to her credit limit being increased. I can't see anything that suggests she was struggling to manage the account. Mrs R made payments exceeding the minimum amount due in the months preceding the increase. So, again I don't think Barclaycard would have had any concerns about how she was managing her account at the time.

As I've said above before increasing the limit, Barclaycard should have carried out a credit search to check there were no external factors that it should be concerned by. But as I've also said, because of the passage of time Barclaycard hasn't been able to provide copies of the checks it carried out. It has told us at the time it carried out checks based on debt-to-income ratios and the likelihood of an account defaulting in the following twelve months.

And as I've already explained the bank statements and the copy of her credit report Mrs R provided don't cover the time leading up to the credit limit increase. So, I'm unable to build a clear and true picture of Mrs R's financial situation at the time. Therefore, based on what I've seen I can't fairly say credit limit increase was unaffordable or irresponsible.

Final increase to £7,800 – 31 October 2016:

As with Account A, Barclaycard has told us that it carried out checks before offering this increase to Mrs R, which included account management checks, and affordability checks and income to debt ratios.

This credit limit increase came two weeks after the increase on Account A. So, assuming Mrs R had an annual income of £16,000 – which we know wasn't the case as it was much less - Barclaycard knew that increasing Mrs R's credit limit on this account would increase her indebtedness to £20,407. 127% of her assumed annual income.

For the same reasons I've explained in Account A, based on what I've seen I don't think Barclaycard made a fair lending decision here. So, I'm upholding this part of her complaint.

Putting things right

To put things right for Mrs R Barclaycard should now:

For Account A

- Refund the interest Mrs R paid on any balance above £4,500 (the first limit increase) between 19 October 2016 and the date she settled the account.*
- It should add 8% simple interest on these payments from the date she paid them until the date of the money being returned to her.*

For account B

- Refund the interest Mrs R paid on any balance above £6,300 (the first limit increase) between 31 October 2016 and the date she settled the account.*
- It should add 8% simple interest on these payments from the date she paid them until the date of the money being returned to her.*

†Her Majesty's Revenue & Customs may require Barclaycard deduct tax from the interest paid to Mrs R. If it does and Mrs R requests it, Barclaycard must provide her with a certificate showing how much tax it has taken off, so she may reclaim it if appropriate.

My provisional decision

For the reasons set out above, I currently uphold this complaint and I require Barclays Bank UK PLC trading as Barclaycard to carry out the actions as set out under the 'Putting things right' section of this decision.

I invited both parties to let me have anything in response they thought was relevant.

Both Barclaycard and Mrs R accepted my findings and had no further comments to add.

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.

As both parties accepted my findings, I see no reason to depart from my provisional decision.

Barclaycard should now follow the remedy described in the 'Putting things right' section of this decision.

My final decision

For the reasons set out above, my final decision is that I uphold this complaint and I require Barclays Bank UK PLC trading as Barclaycard to carry out the actions as set out under the 'Putting things right' section of this decision.

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

Amber Mortimer
Ombudsman