

## The complaint

Mr C complains that Barclays Bank UK PLC lent to him irresponsibly.

## What happened

Mr C has had several loans with Barclays over the years and complains that those listed below were lent to him irresponsibly.

	<b>Date opened</b>	<b>Amount</b>	<b>Term</b>	<b>Monthly repayment</b>	<b>Date repaid</b>
<b>Loan 1</b>	3 August 2016	£24,300	48 months	£565.75	14 June 2019
<b>Loan 2</b>	7 November 2016	£14,000	60 months	£256.77	31 October 2017
<b>Loan 3</b>	11 October 2019	£4,600	60 months	£122.19	21 May 2020

Mr C says at the time of the loans, he was suffering with a gambling addiction, was often having payments unpaid (his current account was with Barclays), had increasing debts with other lenders and a worsening credit record. He says Barclays ought to have been aware of these facts and should have refused to lend to him.

Barclays looked into his complaint. Initially it said the first two loans were too old for us to investigate. It looked into Loan 3 and said it had carried out its usual checks at that time and he'd passed those. Barclays said it was satisfied the loan was affordable for Mr C based on a retrospective review of his current account statements. It said this showed he had sufficient disposable income to make the repayments. After our involvement, Barclays looked at the two earlier loans and gave a similar answer. It rejected Mr C's complaint.

As he was unhappy with Barclays' response, Mr C referred his complaint to us. One of our investigators looked into it. She said that while Barclays had carried out reasonable and proportionate checks, she didn't think it properly considered the information it obtained. Our investigator said Barclays didn't act fairly when approving the loans for Mr C and set out how she thought it should put matters right for him.

Mr C accepted what our investigator said, but Barclays didn't. As there was no agreement, the complaint has been passed to me for a 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.

We've set out our approach to complaints about unaffordable lending on our website – including the key relevant rules, guidance, good industry practice and law. I've considered this approach when deciding this complaint.

Barclays needed to carry out reasonable and proportionate checks to ensure that it didn't lend to Mr C irresponsibly. I think there are key questions I need to consider in order to decide what is fair and reasonable in the circumstances of this complaint:

- Did Barclays carry out reasonable and proportionate checks to satisfy itself that Mr C was in a position to sustainably repay the loan?
- If not, what would reasonable and proportionate checks have shown at the time?
- Did Barclays make a fair lending decision?

It's not about Barclays assessing the likelihood of it being repaid, but it had to consider the impact of the loan repayments on Mr C. There is no set list of checks that it had to do, but it could take into account several different things such as the amount and length of the loan, the amount of the monthly repayments and the overall circumstances of the borrower.

Taking all that into account, I think a reasonable and proportionate check ought generally to have been more thorough where:

- a customer has a low income (because it may make it more difficult to make loan payments of a set amount from a low level of income);
- the higher the amount due to be repaid (because it may be more difficult to meet a higher repayment for a particular level of income);
- the longer the term of the loan (because the total cost of the credit is likely to be higher, and the customer is obliged to make payments for a longer period); and
- the greater the number and frequency of loans and the longer the period of time during which a customer has been given loans (because of the risk of repeated refinancing may signal that the borrowing has become or was becoming unsustainable).

Mr C had a good income, but he was borrowing large sums of money over significant periods of time. And while the amounts complained of here began to decrease, I think there is other information which Barclays ought to have been aware of at the time of the lending, which I'll come on to shortly.

Mr C tells us these 'pre-approved' loans were all applied for via his banking app and the funds were in his account within hours. Barclays had a great deal of information about Mr C at the time he applied for the loans as he used it as his main banker. Barclays provided his business account and current account facilities as well as his mortgage and credit card. So Barclays ought to have had a clear picture of his financial circumstances and I expect its pre-approved limits will have taken into account things like the performance of his personal accounts and his credit reference data.

I've no reason to think that Barclays didn't gather enough information to carry out reasonable and proportionate checks on the applications. But I'm not persuaded that it used the information it held in order to reach a fair decision to lend.

In March 2015, Mr C had taken another loan with Barclays for £25,000 which he repaid in November 2017. And in January 2016, Barclays agreed an overdraft of £5,100 on his joint current account. He was using the overdraft extensively from the time it was agreed up to and beyond the application for the loans complained about. Although these products are not included in this complaint, I think they're relevant to the assessment Barclays undertook on the subsequent applications.

### *Loans 1 and 2*

When Mr C applied for Loan 1 in August 2016, I think a pattern of repeat lending was emerging. As we can see, he'd taken a large loan in March 2015, a large overdraft eight months later, and was applying for a further large loan – Loan 1 - eight months after that. He

then applied for Loan 2 just three months later.

The purpose of Loan 1 was shown as “*home improvements*”, so it wasn’t planned to clear the existing facilities; it was planned as new money and a significant outgoing. I think this ought to have led to Barclays taking a closer look at his financial circumstances to ensure he wasn’t becoming over reliant on credit and that Mr C would be able to repay it sustainably. It might have done this by looking more closely at the accounts he held with it.

Loan 2 also appears to have been new money – his other loans and overdraft continued. Again, I think Barclays ought to have taken a closer look at Mr C’s finances.

It seems Barclays’ automated review of his accounts at application stage relied on account turnover to determine his income and expenditure. It’s evident that Mr C had large amounts of money going through his current accounts – sometimes as much as £12,000 but regularly more than £5,000 per month. But it’s also evident that this didn’t reflect his earned income. Most of the money going through his account was transfers from his business accounts.

I’ve asked Mr C what this money was for. He tells me the money represents directors’ loans from his business. While some of it went on to become income at the end of the tax year, other sums had to be repaid. While I consider Mr C had a good income, it is clearly less than the credit turnover on his account. Had Barclays asked him about his income (and perhaps asked for evidence) rather than relying solely on what it could see, I believe Mr C would have explained the true position.

Barclays tells us that it has carried out a retrospective review of Mr C’s accounts since we became involved, and believes the loans were affordable for him. But this has relied on the account turnover which, as I’ve said, didn’t represent his true income. Barclays has calculated that for Loan 1, Mr C had a disposable income of around £4,900 a month. And for Loan 2, it says he had nearly £2,800. But these figures are based on inaccurate income for him and, if they were right, I’d question why he’d be using his overdraft to the extent he was.

I’ve looked closely at his expenditure and compared this to the figures Barclays has used. While Barclays has considered some direct debits and supermarket shopping, it appears to have only considered transactions through one of his accounts. I note that items that appear to be car and life insurance, mortgage, utility bills and school / childcare costs which are paid from another account are not included in Barclays breakdown of expenditure. These totalled approximately £2,600 per month.

I think had Barclays carried out its analysis at the beginning of its assessment rather than following a complaint several years later, it ought to have questioned Mr C about his income and expenditure. Following that, I think it is likely to have decided that the loans applied for would have been unsustainable for him. It follows that I don’t think Barclays made a fair decision to lend Loans 1 and 2 to Mr C.

### *Loan 3*

I’ve looked at Mr C’s statements for the period leading up to Loan 3. His income was still being received in the same way as for Loans 1 and 2; transfers from his business account. He was still using his overdraft extensively. It is also clear that Mr C was gambling heavily – he’s told us he has a gambling addiction. In the three months leading up to the application, I can see gambling transactions amounting to at least £1,500 per month.

It seems to me that if Barclays had taken a closer look at his account, it would have identified that Loan 3 was unlikely to be sustainable for him. I don’t think it reached a fair decision to lend Loan 3 to Mr C.

## Putting things right

When I find that a business has done something wrong, I'd normally direct that business to put the complainant in the position they would be in now if the mistake it made hadn't happened, as far as is reasonably practical.

In this case, that would mean putting Mr C in the position he would be in now if he hadn't been given the loans. But Mr C was given the loans, used the money and has already repaid the entire amount including interest due under the agreements. While I think it is fair for Mr C to repay the money he borrowed, I don't think he should be disadvantaged by Barclays decision to lend.

So, I think Barclays should:

- Calculate the total amount Mr C received from Barclays and deduct from that figure the repayments he's made to each loan.
  - If this results in Mr C having repaid more than he received, any overpayments should be refunded to him. Interest at a rate of 8% simple per year should be added to any overpayments from the date they were made until the date of settlement\*.
  - If the calculation means there's still a balance for Mr C to pay, Barclays should let Mr C know how much is outstanding and reach a suitable, affordable payment plan with him. I remind Barclays of its obligation to treat customers fairly.
- Remove any negative information recorded on Mr C's credit file regarding each loan.

If Barclays considers that it's required by HM Revenue & Customs (HMRC) to deduct income tax from that interest, it should tell Mr C how much it's taken off. It should also give him a tax deduction certificate if he asks for one, so he can reclaim the tax from HMRC if appropriate.

## My final decision

My final decision is that I uphold this complaint. Barclays Bank UK PLC should put matters right as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 28 May 2024.

Richard Hale  
**Ombudsman**