

The complaint

Mr G is being represented by solicitors. He's complaining about Barclays Bank UK PLC trading as Barclaycard because he says it lent irresponsibly by giving him a credit card he couldn't afford.

What happened

Following his application, in 2018, Mr G was given a credit card with a limit of £3,600. This limit has never been increased.

Our investigator didn't conclude the complaint should be upheld. She felt Barclaycard carried out an appropriate assessment of Mr G's affordability and that its decision to lend to him was reasonable.

Mr G didn't accept the investigator's assessment, saying that some of the money the investigator referred to as showing on his bank statements wasn't his.

The complaint has now been referred to me for review.

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.

Having done so, I've reached the same overall conclusions as the investigator, and for broadly the same reasons. If I haven't commented on any specific point, it's because I don't believe it's affected what I think is the right outcome. In considering this complaint I've had regard to the relevant law and regulations; any regulator's rules, guidance and standards, codes of practice, and what I consider was good industry practice at the time.

Before lending to Mr G, Barclaycard was required to carry out appropriate checks to ensure the repayments were affordable and sustainable. To decide whether this requirement was met, the key questions I need to consider are:

- Did Barclaycard complete reasonable and proportionate checks to establish that Mr G would be able to repay the credit in a sustainable way?
- If so, was the decision to lend fair and reasonable?
- If not, what would reasonable and proportionate checks have discovered, and would the decision to lend have been fair and reasonable in light of that information?

Barclaycard has described the information it gathered to assess whether Mr G's credit was affordable before it was approved. This included:

- information contained in his application, including residential status, employment status and his income, which was separately verified;

- information obtained from a credit reference agency (CRA), giving details of his existing credit arrangements and any past issues with credit, including missed payments and defaults; and
- an expenditure assessment using a combination of modelled data for key expenses, along with actual data from the CRA about the cost of his existing credit arrangements.

In making his application, Mr G declared his annual income was £28,000 and I note Barclaycard says this was separately verified with information from a CRA. In respect of his existing commitments, Barclaycard's credit check showed he had credit card debt of £3,400 (around £1,600 of which was transferred to Barclaycard immediately the account was opened) and an overdraft of around £700. There was no record of missed payments on these accounts or any other recent issues managing his credit commitments.

After considering this information carefully, I don't think there was any indication Mr G was struggling financially at this point. He wasn't heavily indebted compared to his income and seemed to be managing his existing commitments well.

Barclaycard says it also considered Mr G's key expenditure based on a combination of his existing credit commitments as recorded by the CRA, and modelled statistical data to estimate other living expenses. In this way, it determined he had sufficient disposable income to afford the additional credit.

The use of modelled statistical data to estimate expenditure is an approach that's recognised by the regulator for assessing credit applications. It was clearly less thorough than an assessment of Mr G's actual expenses by reference to his bank statements for example. But in view of the amount of credit being offered and the information Barclaycard already had about his income and existing commitments, I think it was a proportionate approach in this case.

As I've concluded Barclaycard's affordability checks were proportionate, there was no requirement for it to obtain further information, including Mr G's bank statements. This means the issue of who the money in his account belonged to isn't relevant to the outcome of the complaint.

I've considered Barclaycard's lending decision based on the information obtained from what I believe to have been a proportionate affordability assessment. In my view, it was entitled to believe the new credit repayments would be affordable for Mr G and that the decision to lend was a reasonable one.

It's for these reasons that I'm not upholding Mr G's complaint. I realise this outcome will be disappointing for him, but I'm satisfied it's fair and reasonable in the circumstances and I hope the additional explanation is helpful.

My final decision

For the reasons I've explained, I'm not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 29 May 2024.

James Biles
Ombudsman