

The complaint

Mr K complains that Barclays Bank UK PLC trading as Barclaycard ('Barclaycard') reduced the limit on his credit card unexpectedly.

What happened

Mr K has a Barclaycard credit card. On 17 August 2023 Barclaycard wrote to Mr K to let him know they'd reduce his credit limit from £7,500 to £450 on 21 August 2023.

Mr K complained. He said he'd been a customer for many years and never had financial difficulties. He asked Barclaycard to review their decision. Barclaycard investigated but declined to reinstate the credit limit. They said they'd received information from the credit reference agencies (CRA) which led to the limit being decreased. Barclaycard acknowledged that Mr K had difficulties getting in touch with them and credited his account with £25 by way of apology.

Mr K explained that he'd been the victim of fraud on a telecommunication account, which led to adverse data being recorded on his credit file. And this was due to be corrected shortly. He said he was unhappy that Barclaycard didn't contact him before taking the decision to decrease his credit limit.

Barclaycard agreed to review their decision again if Mr K could provide an updated copy of his credit report. They also asked him for more details about his income because they had concerns about the affordability of the credit limit. Mr K provided the updated income information in early September 2023. And he sent his updated credit report to Barclaycard on 8 December 2023.

Barclaycard reviewed the information Mr K provided but ultimately decided not to reinstate Mr K's credit limit. They said this was due to Mr K's level of borrowing and their own lending criteria. They accepted that the service Mr K experienced when trying to get in touch with Barclaycard hadn't been up to the standard he could reasonably expect, and so they credited another £25 to his account.

Unhappy with Barclaycard's response Mr K contacted our service. He said that the reduction of the credit limit impacted his health as well as his ability to manage his finances in the way he previously had.

One of our investigators looked into what'd happened. She said Barclaycard were entitled to review Mr K's credit card limit and reduce it. And so, she didn't think the complaint should be upheld.

Mr K didn't agree. He said he was repeatedly informed that the reason for the review was due to the incorrect information on his credit file. Mr K said he felt it was unfair that his credit limit was decreased through no fault of his own. Our investigator reviewed what Mr K had said but her opinion remained unchanged. As no agreement could be reached the complaint was passed to me to consider.

Mr K has also made a separate complaint about the overdraft on his current account, which is being considered as a separate case. This decision is solely about Mr K's credit card limit being decreased.

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'm not upholding Mr K's complaint. I realise this'll be disappointing news, especially in light of what he's said about the impact the credit limit decrease had on him and his family. I understand Mr K feels strongly that he's being punished for something that was outside his control. And I was sorry to read of the impact of what's happened had on Mr K. But

A credit card is provided by a lender to allow the cardholder to borrow funds from them for the purchase of goods and services. The level of the credit card limit will depend on the borrower's circumstances. In reaching my decision I've taken account of what the credit card terms say about changing the credit limit. The terms say:

"6. Credit limit

We set your credit limit according to your circumstances, your account usage and history, information from other parts of the Barclays group, information we receive from credit reference agencies, and any other information we think is relevant.

We'll tell you what your credit limit is when we first open your account. We'll then review it from time to time. If we change your credit limit, we'll write to let you know."

And

"Managing your credit limit

If we reduce your credit limit based on an assessment of risk or your ability to repay, we have the right not to give you any notice beforehand if we think this would not be appropriate. (However, we may choose to give you up to seven days' notice). We won't reduce your credit limit to less than your total outstanding balance, plus any transactions authorised but not yet charged to your account"

The terms say Barclaycard will review credit limits and contact consumers if they make a change to the limit. The terms go on to explain that in cases of a credit limit increase Barclaycard may choose to give up to seven days' notice but that they're not required to. The terms also say that in case of a decrease, the limit won't be less than the outstanding balance (including authorised pending transactions).

Here, Barclaycard wrote to Mr K on 17 August 2023, giving four days' notice of their decision to decrease Mr K's limit to £450. I've seen copies of Mr K's credit card statements from August 2023 and can see that the new limit was enough to accommodate the outstanding balance on the card. I'm satisfied Barclaycard acted in line with the credit card's terms.

Mr K said Barclaycard told him the review of his credit limit was prompted by the adverse information reported by the CRA. And I appreciate he feels strongly that Barclaycard took advantage of the situation to reduce his credit limit significantly. I don't underestimate the impact this has had on Mr K. But I don't think it was unreasonable for Barclaycard to take action when they received the update from the CRA. Their credit card terms do explain that

they'll review credit limits based on risk – and adverse information being reported can constitute a risk to both the lender and the consumer.

Barclaycard didn't know of the wider circumstances leading to the adverse information being recorded. By the time Mr K contacted them to explain what'd happened, they'd already taken the decision to reduce his limit. And this wasn't solely based on the CRA data, but also because Barclaycard had concerns about Mr K's ability to make payments. That's in line with Barclaycard's terms as set out above, so I can't say Barclaycard acted unfairly.

I can see Barclaycard contacted Mr K in early September 2023 to update the income information they held for him. They also explained that they'd need the fully updated credit report before they could review the credit limit again. Barclaycard followed this up with a letter dated 25 September 2023, which again explained that they require a copy of amended credit report before they could review Mr K's credit limit.

Mr K sent his amended credit report to Barclaycard on 8 December 2023. Internal emails show this was referred for a review of the credit limit together with information about Mr K's income. Barclaycard concluded that a credit limit increase wasn't affordable based on Mr K's financial circumstances. Barclaycard's contact notes show that they called Mr K the day the decision was made to let him know the outcome of their review. Based on what I've seen, I'm satisfied Barclaycard reviewed Mr K's credit limit as soon as they had all the information they required. So, I don't think Barclaycard treated Mr K unfairly.

My final decision

For the reasons set out above, I'm not upholding Mr K's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 4 November 2024.

Anja Gill
Ombudsman