

The complaint

Mr J says Barclays Bank UK PLC lent irresponsibly when providing him with a loan in 2019.

What happened

In May 2019, Barclays loaned Mr J £8,400 over a 36-month term. The annual percentage rate of interest (APR) charged was 21.623% and the monthly repayments were £320.09. The total repayable was £11,523.24. The information Barclays recorded at the time of his application showed, among other things, that the loan was intended to repay another loan.

In 2024, Mr J complained to Barclays that it had lent to him irresponsibly and had worsened his financial situation.

Barclays rejected Mr J's complaint on the grounds that its own income and expenditure assessment indicated the monthly repayments were affordable for him at that time.

Unhappy with Barclays's response, Mr J complained to this service. Our investigator looked into the complaint and didn't recommend that it should be upheld. The investigator thought that, while Barclays hadn't carried out the checks it should have done prior to making the lending decision, the decision itself was ultimately fair.

Mr J didn't agree with the investigator's assessment of the complaint. In summary, he felt he had insufficient disposable income each month to sustainably afford the loan repayments. He disagreed with the investigator's interpretation of loans arranged with family members being classed as income. As such, the complaint was passed to me to review afresh.

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 considering unaffordable and irresponsible lending complaints on our website – including the key relevant rules, guidance, good industry practice and law. And I've considered this in deciding Mr J's complaint.

Having done so, I don't uphold the complaint. I'll explain why.

I confirm that I broadly agree with the investigator's findings on Barclays' lending decision and for the same reasons. I'm satisfied that the lending rules and provisions at that time meant Barclays needed to carry out proportionate checks to assess whether Mr J would be able to repay the credit.

There isn't a set list of checks that needed to be completed but, in deciding what was proportionate, Barclays ought to have taken into consideration things such as the type and amount of credit, the cost and Mr J's circumstances.

In general, lenders will often ask customers about their circumstances. These might include their employment status and income. Lenders might also complete credit checks via credit reference agencies (CRAs) that might show, among other things, adverse reporting on credit files such as arrears, defaults, county court judgments (CCJs) and the like.

Barclays hasn't been able to provide information about what checks, if any, it undertook when Mr J applied for the loan. Taking this into consideration, I can't fairly conclude that Barclays carried out proportionate checks in 2019.

That's not enough for me to be able to uphold this complaint. To do so, I'd also need to see evidence showing Mr J, in his circumstances, lost out as a result of any failure by Barclays to carry out proportionate checks.

In considering whether Mr J suffered a loss, I need to think about what his financial situation was back in May 2019, and the months leading up to it. A helpful way of doing this is to assess bank statements and credit reports from the relevant time. I'm grateful to both Mr J and Barclays – also his current account provider – for sending us these. Barclays has also submitted the income and expenditure (I&E) assessment it carried out after Mr J complained in 2024.

On the one hand, Barclays' position is that Mr J's I&E for the six months leading up to May 2019 shows he had an average monthly disposable income of around £640. It feels this demonstrates the credit, and the monthly repayments, were affordable for him. On the other hand, Mr J's position is that six months was too long a period over which to assess his true I&E. He says the numbers for the three months preceding the loan show a monthly disposable income of more like £290 – meaning the loan was unaffordable for him given the need to set money aside for unforeseen expenses.

Having reviewed the numbers myself, I'm satisfied that the figure arrived at by Barclays is a more accurate reflection of Mr J's financial situation as of May 2019 – even taking money received or paid to family members out of the equation. I say that because statements from February to April 2019 show Mr J was left with around £90 a month on average after taking account of the new loan repayments. Extending the period of assessment by a further three months to November 2018 suggests Mr J would have been left with around £240 a month on average. Either way, I'm satisfied Mr J was left with sufficient disposable income after covering the loan repayments to deal with, for example, unexpected expenses.

I appreciate Mr J disagrees that the above reflects the true financial picture in 2019. I also accept that trying to piece together the facts now – several years later – is far from straightforward. That said, I do think the available information indicates that, on balance, this broadly was the situation back then.

Taking everything into account, I don't think Barclays carried out proportionate checks that would have enabled it to make a reasonable assessment of the affordability of the loan. Had Barclays done so, Mr J's circumstances in 2018/2019 indicate to me that he could sustainably afford the credit he was being offered. As such, I don't think Barclays treated him unfairly in providing him with the lending that it did.

I've also considered whether Barclays acted unfairly or unreasonably in any other way. That includes whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Barclays lent irresponsibly to Mr J or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

My final decision

For the reasons given, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 27 August 2024.

Nimish Patel
Ombudsman