

The complaint

Mrs G complains that Barclays Bank UK PLC trading as Barclaycard (Barclays) acted irresponsibly in providing her with two credit cards and several credit card limit increases which she says she couldn't afford.

I can see that one of the cards Mrs G complains about initially ended *9007 but in 2016 this changed to read card ending *5005. For ease of reading, I will only refer to card *5005 in my decision.

What happened

Mrs G applied for a credit card with Barclays in 2001 (card ending *0000) with an opening credit limit of £500. And in 2003 (card ending *5005) with an opening credit limit of £3,500.

Several credit limit increases followed for both cards. By July 2014 for card *0000 Mrs G's credit limit was £14,050, and for card *5005 by June 2011 the credit limit was £11,800.

Mrs G said Barclays didn't consider the implications of their lending. And this had added to her financial vulnerability to the point where she wasn't able to feed her family. She complained to Barclays.

Barclays said Mrs G had complained too late for her complaint to be considered. Mrs G referred her complaint to us. And we decided that Mrs G had brought her complaint when she became reasonably aware she'd cause to complain.

After considering her complaint our investigator said that due to the passage of time it wasn't possible to determine whether the checks done by Barclays were proportionate or not. But from the financial information provided they said Barclays hadn't acted irresponsibly in lending to Mrs G.

Mrs G didn't agree and asked for her complaint to be referred to an ombudsman.

I issued a provisional decision in July 2024 that said:

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 minded to reach a different conclusion to our investigator. 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 paid due 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. Such as the Finance and Leasing Association (FLA), Lending code, Office for Fair Trading (OFT) and the Consumer Credit Source book (CONC). It's important that I don't hold Barclays to the standards that apply today and which didn't apply at the time of

her applications and subsequent credit limit increases.

The guidance at the time required lenders to seek to ensure the lending was subject to sound and proper assessment. And this included an assessment of the consumers ability to repay, their income and commitments, how they handled their financial affairs and data obtained from a credit reference agency (CRA) amongst other information such as the consumers age and address details. That said, Mrs G applied for her Barclays credit cards before many of the rules and regulations had been introduced to protect consumers from irresponsible lending. So, I've drawn on the law and what good industry practice would have looked like at the time. And I think that included lending in such a way that would not cause undue repayment difficulty.

When the evidence is incomplete, inconclusive, or contradictory, I've made my decision on the balance of probabilities – which, in other words, means I've based it on what I think is more than likely to have happened given the available evidence and the wider circumstances. And as more than two decades separate Mrs G's credit card applications the evidence is inevitably incomplete.

Barclays says it hasn't any information to offer about the checks they did due to the time that has passed. I don't think this is surprising or unreasonable, but it means I cannot know what Barclays saw when they completed their checks before lending. So, I cannot assess if their checks were proportionate. But they have provided statements for both credit cards. And bank statements for the current account Mrs G had with them for the periods involved in the lending. And in cases like this we can consider other information, such as bank statements, to look at what proportionate checks would most likely have shown the lender, to determine whether Barclays made a fair lending decision.

*Card *0000*

Account opening, and Credit limit increases, April 2003- March 2011.

I've considered Mrs G's bank statements at the time the account was opened in 2001 with a credit limit of £500. And for the subsequent credit limit increases up to £5,800. These showed Mrs G had a monthly salary being paid into the account, and that her account was being well managed. There weren't any signs of non-discretionary expenditure being missed, such as evidence of direct debits being returned. And Mrs G wasn't using any of her overdraft. So, I can't say from the information I've seen that Barclays acted irresponsibly in opening the credit card account or applying the credit limit increases up to £5,800.

I can see that Mrs G didn't utilise the increase up to £5,800 as her credit card outstanding balance remained below the previous credit limit of £4,300. And I can see that in June 2012 her credit limit was reduced to £3,750 and further reduced to £3,550 in November 2012 with Mrs G's balance remaining below her reduced credit card limit.

Credit limit increase Sept 2013, £6050.

The OFT provided the relevant guidance at this time. And when assessing affordability, the test to be applied needed to be borrower focussed. Meaning the borrower's likely ability to be able to meet repayments under the credit agreement in a sustainable manner. In a sustainable manner is defined as without undue difficulty – in particular without incurring or increasing problem indebtedness.

I can see from Mrs G's card statements for the three months prior to the credit limit increase that she was paying the minimum payment required. And that she wasn't using the credit card for any purchases.

While Mrs G was maintaining her credit card, meeting her required monthly minimum repayments. And she wasn't using her card in a way that went against the terms and conditions. I do think her financial situation had worsened.

Mrs G had another credit card with Barclays which at this time had been over its credit limit for several months. Mrs G was paying the minimum monthly payment by direct debit for this card but within the previous few months she'd had two of the direct debits returned unpaid, and had incurred fees for this, as well as late payment and over the limit fees. And her current account which she'd with Barclays showed she was persistently using her overdraft. Within a few days of Mrs G's monthly salary being paid into the account she would again be utilising her overdraft. So, I think Barclays ought to have seen signs of Mrs G's financial struggles. By increasing her credit limit they'd added to her indebtedness and as she was already struggling to sustain repayments for her other credit commitments, I don't think Barclays made a fair lending decision.

Credit limit increase April 2014, £9,050, July 2014 £14,050.

The Financial Conduct Authority (FCA) took over the regulation of consumer credit from the OFT in April 2014. CONC, part of the FCA's handbook is the relevant guidance. CONC is clear about the need for a lender to complete a credit worthiness assessment, considering the potential for the lending commitment to adversely impact the consumer's financial situation. This assessment had to consider whether the credit could be repaid sustainably. In practice this meant Barclays had to satisfy themselves that making payments to the credit wouldn't cause undue difficulty or adverse consequences. In other words, it wasn't enough to simply think about the likelihood of Mrs G making the repayments, they had to consider the impact of the repayments on Mrs G.

CONC 5.2.3 [G] outlines that the assessment the lender needs to complete should be dependent on, and proportionate to, a number of factors – including the amount and cost of the credit and the consumer's borrowing history. CONC 5.2.4 [G] provides guidance on the sources of information a lender may want to consider as part of making a proportionate assessment. Again, due the passage of time I can't know what checks Barclays did to determine Mrs G's credit worthiness. So again, I've considered her credit card and bank statements, as this is information that Barclays could have seen.

Mrs G's card statements show that after the last credit increase in Sept 2013 she continued to pay her minimum payments and there were few card transactions. But in February 2014 I can see that Mrs G made a bank transfer of £100 incurring a fee of £1.90, and a cash advance of £100 that incurred a fee of £2.99. And in early March 2014 she transferred £1,000 from her credit card account to her current account incurring a fee of £19. Mrs G also used her card for cash advances, £350 in March 2014 and £420 in April 2014 which accrued interest charges. And she also incurred an over the limit fee of £12 for May 2014. I think these were clear signs that Mrs G's reliance on credit was problematic and that this was linked to how she was spending the funds provided to her by Barclays.

From Mrs G's bank statements for the three months prior to the increase in April 2014. She was persistently using her overdraft even after the £1,000 bank transfer was made from her credit card account. And her bank statements show direct debits returned unpaid, including to another Barclays product. Her other credit card was also still over its agreed credit limit.

*While I can see the credit limit increase to £9,050 in April 2014, brought Mrs G card *0000 back within her credit limit, I think increasing her credit card limit added to her indebtedness and financial vulnerability as there were clear signs that she would struggle to sustain the repayments.*

And only a couple of months later in July 2014 after a request from Mrs G to increase her credit limit, Barclays agreed to a credit limit to £14,050. In the same month Mrs G made bank transfers to her current account totalling £2469.60. Albeit the transfers didn't incur any interest charge until January 2015, Mrs G incurred a fee of £156.60. Also, in the same month Ms G had cash advances from her credit card totalling £200. I can see from Mrs G's current account statements that despite the bank transfers from her card account she was persistently using her overdraft and was having direct debits returned unpaid.

So, I think that by September 2013 the behaviour on Mrs G 's Barclays accounts were showing indicators that she was struggling to manage her finances. And by Barclays increasing her credit card limit to £6,050, £9,050 and £14,050 they allowed Mrs G to become further indebted to a level that she could no longer sustain. So, based on this I don't think Barclays acted responsibly when they increased her credit limits in September 2013, April and July 2014.

Card 5005.

Account opening and credit limit increases to July 2008

I've previously outlined the relevant guidance. Again, due to the passage of time I've based my decision on limited information to determine on balance whether Barclays has acted fairly and reasonably.

I've considered Mrs G's bank statements at the time the account was opened in December 2003 with a credit limit of £3,500. And for the subsequent credit limit increases up to £6,000. This showed Mrs G had a monthly salary being paid into the account, and that her account was being well managed. There weren't any signs of non-discretionary expenditure being missed, such as evidence of direct debits being returned. And Mrs G wasn't using an overdraft. So, I can't say from the information I have that Barclays acted irresponsibly in opening the credit card account or applying the credit limit increases up to £6,000.

Credit limit increase May 2010 £7,000

Mrs G's credit card statement showed she was making the minimum payment, although slightly less was paid in February 2010 but Mrs G paid the arrears the following month, she did incur a late payment fee of £12. While I can see she was using much of her overdraft prior to the credit limit increase, I can also see that she'd a payment into her account in May 2010 for over £7,000 part of which she used, £5,000 to make a payment to reduce her credit card balance. While there were some signs Mrs G was beginning to have some financial difficulties in meeting her repayments, I can't say this was sufficient to say Barclays acted irresponsibly in lending to her.

Credit limit increase December 2010 £9,400.

While I can see Mrs G made a cash advance transaction of £1,000 in October 2010 which she paid into her Barclays bank account. And she was persistently using her overdraft. As Mrs G's credit card balance never exceeded £4,000 there hasn't been any detriment caused by this credit card limit increase.

Credit limit increase August 2011, £11,800.

Prior to this credit limit increase I can see that in late May 2011 Mrs G paid £4,000 into the account. But she also made a couple of cash advances the same month for a total of £120.

In June 2011 she made further cash advances totalling £200 and in July 2011 £80. I can

also see she made a large transaction of £3,178 the same month. Mrs G's bank statements showed she was persistently in her overdraft. In May 2011 a payment of £4,036.34 was paid in and from this she made the £4,000 to her credit card. But within five days of this large credit being into her account she was again utilising her overdraft and incurring overdraft fees. I can also see that In June 2011 a direct debit she made for over £300 for another lending product from Barclays was returned unpaid.

I think that by August 2011 the behaviour on Mrs G 's accounts was showing indicators that she was struggling to manage her finances. And by Barclays increasing her credit card limit they allowed Mrs G to become further indebted to a level that she couldn't sustain. While I accept there are some occasions where Mrs G made more than the minimum repayment to bring the balance down, for the most part she was just paying the minimum balance which meant the capital amount owed never reduced in any meaningful way.

This is further supported as after this increase was given to Mrs G within a very short time she'd increased her indebtedness from below £3,000 to £12,345 within the space of a few months. And over the following months she exceeded her limit while only ever making minimum repayments. That continued until around June 2015 when Mrs G's credit limit was set to zero with her making a payment commitment of £250 a month. Mrs G's account for card *5005 was closed in December 2023.

Barclays said that Mrs G was maintaining her cards well, meeting her required monthly repayment. And that they didn't have any concerns about her bank account or the use of the overdraft. So, they weren't aware that Mrs G's card usage could be causing her financial difficulty. But I disagree with Barclays on this point. I do think there were warning signs that Mrs G's reliance on credit was becoming problematic and that this was linked to how she was spending the funds provided to her by them.

Putting things right

To put things right I need to make an award that would return Mrs G to the position she'd now be in but for the errors or inappropriate actions of Barclays. But that's not entirely possible here as the lending provided can't be undone.

Because I don't think Barclays should have increased her credit limit for card *0000 after it was reduced to £3,550 in November 2012. And I don't think they should have increased her credit limit to £11,800 around August 2011 for card *5005. I don't think it's fair for her to pay interest or charges on the amount borrowed. But she has had use of the money that was lent, so I think it's fair she repays the amount borrowed (without the addition of interest or charges).

I've also considered whether Barclays acted unfairly or unreasonably in some other way given what Mrs G has complained about, including whether their relationship with her might have been viewed as unfair by a court under s.140A Consumer Credit Act 1974. But because I'm currently minded to uphold Mrs G's complaint already for the reasons I've explained I don't think I need to make a finding on this. So, I'm satisfied the redress I have directed below results in fair compensation for Mrs G in the circumstances of her complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Responses to Provisional Decision

Neither party has asked for any further representations to be considered.

My final decision

I'm partially upholding Mrs G's complaint. And ask Barclays Bank UK Plc to:

- For card *0000 - rework the account to remove all interest, fees, charges and insurances (not already refunded) that have been applied above the credit limit of £3,550.
- For card ending *5005 – rework the account to remove all interest, fees, charges and insurances (not already refunded) that have been applied above the credit limit of £9,440.
- If the reworking results in a credit balance, this should be paid to Mrs G with the addition of simple interest at 8%* per year from the date of each overpayment to the date of settlement.
- Remove any adverse information recorded on Mrs G's credit file relating to this credit, once any outstanding balance has been repaid.

*HM Revenue & Customs (HMRC) requires Barclays Bank UK Plc to deduct tax from any interest. It must provide Mrs G with a certificate showing how much tax has been deducted if she asks for one. If they intend to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G to accept or reject my decision before 20 September 2024.

Anne Scarr
Ombudsman