

The complaint

Mrs J complains that Barclays Bank UK PLC trading as Barclaycard lent to her irresponsibly.

What happened

On 1 April 2014, Mrs J applied for and received a credit card with Barclaycard. It had a £6,800 credit limit which was increased steadily over the years reaching £15,100 before being decreased and repaid in full on 6 August 2024.

Date	Event	New limit
1 April 2014	Account opening	£6,800
10 March 2015	Credit Limit Increase (CLI) 1	£9,000
17 November 2015	CLI2	£9,500
11 August 2016	CLI3	£10,100
18 April 2017	CLI4	£11,600
18 December 2017	CLI5	£12,100
20 August 2018	CLI6	£15,100
10 March 2020	Credit Limit Decrease (CLD) 1	£14,350
14 May 2021	CLD2	£7,600

Mrs J complained to Barclaycard on 15 August 2023 saying she felt her credit limit should never have increased. She said if the bank had carried out proper checks it would have seen from her credit record that she had additional late payment markers, defaults and had taken on further credit elsewhere. She says this ought to have led Barclaycard to realise she was in financial difficulty and offered forbearance rather than increasing her limit. The increases simply made her situation worse.

Barclaycard looked into her complaint. It said the account opening and credit limit increases which had taken place prior to 15 August 2017 were outside the complaint handling rules set out by the Financial Conduct Authority (FCA) – specifically the time limit rules. But it did look into the final two limit increases. It said Mrs J had passed the appropriate affordability checks and her account had been well managed. It rejected her complaint.

Mrs J was unhappy with Barclaycard's response, so she referred her complaint to our service. One of our investigators looked into it. She agreed with Barclaycard that looking purely at the complaint as being about the lending decisions, it would be out of time under the rules. But she thought that Mrs J's complaint could be interpreted as being about an unfair credit relationship as described in Section 140A of the Consumer Credit Act 1974 (s140) which is in time under the rules. But due to the time passed and the lack of evidence from each party, she hadn't seen enough to be able to uphold the complaint. She explained her view to each party to the complaint.

Barclaycard disagreed with our investigator's view on time limits, and Mrs J disagreed with our investigator's view on the credit limit increases. 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.

There are time limits for referring a complaint to the Financial Ombudsman Service, and Barclaycard thinks this complaint was referred to us too late. Our investigator explained why she didn't, as a starting point, think we could look at a complaint about the lending decisions that happened more than six years before the complaint was made. But she also explained why it was reasonable to interpret the complaint as being about an unfair relationship as described in s140, and why this complaint about an allegedly unfair lending relationship had been referred to us in time.

For the avoidance of doubt, I agree with our investigator that I have the power to look at the complaint on this basis. I think this complaint can reasonably be considered as being about an unfair relationship as Mrs J says the increases simply made her situation worse. These may have made the relationship unfair as she had to pay more in interest than she could afford and was unable to reduce the debt. I acknowledge Barclaycard still doesn't agree we can look at this complaint, but as I don't think it should be upheld, I don't intend to comment on this further.

In deciding what is fair and reasonable I am required to take relevant law into account. Because Mrs J's complaint can be reasonably interpreted as being about the fairness of her relationship with Barclaycard, relevant law in this case includes s.140A, s.140B and s.140C of the Consumer Credit Act 1974.

S.140A says that a court may make an order under s.140B if it determines that the relationship between the creditor (Barclaycard) and the debtor (Mrs J), arising out of a credit agreement is unfair to the debtor because of one or more of the following, having regard to all matters it thinks relevant:

- any of the terms of the agreement;
- the way in which the creditor has exercised or enforced any of his rights under the agreement;
- any other thing done or not done by or on behalf of the creditor.

Case law shows that a court assesses whether a relationship is unfair at the date of the hearing, or if the credit relationship ended before then, at the date it ended. That assessment has to be performed having regard to the whole history of the relationship.

S.140B sets out the types of orders a court can make where a credit relationship is found to be unfair – these are wide powers, including reducing the amount owed or requiring a refund, or to do or not do any particular thing.

Given what Mrs J has complained about, I need to consider whether Barclaycard's decision to lend to her and increase her credit limits, or its later actions, created unfairness in the relationship between her and Barclaycard such that it ought to have acted to put right the unfairness – and if so whether it did enough to remove that unfairness.

Mrs J's relationship with Barclaycard is therefore likely to be unfair if it didn't carry out proportionate affordability checks and doing so would have revealed its lending to be irresponsible or unaffordable, and if it didn't then remove the unfairness this created somehow.

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 Barclaycard carry out reasonable and proportionate checks to satisfy itself that Mrs J was in a position to sustainably repay the credit?
- If not, what would reasonable and proportionate checks have shown at the time?
 - Did Barclaycard make a fair lending decision?
- Did Barclaycard act unfairly or unreasonably towards Mrs J in some other way?

Barclaycard had to carry out reasonable and proportionate checks to satisfy itself that Mrs J would be able to repay the credit sustainably. It's not about Barclaycard assessing the likelihood of it being repaid, but it had to consider the impact of the repayments on her.

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 credit, the amount of the monthly repayments and the overall circumstances of the borrower.

Did Barclaycard carry out reasonable and proportionate checks to satisfy itself that Mrs J was in a position to sustainably repay the credit?

Barclaycard has provided some limited information from the time of the application. For example it has provided records which show Mrs J was earning £26,500 a year when the account was opened in 2014. She had three credit cards, two bank accounts and a mail order account. Mrs J has said she was comfortable with the opening limit, so I'll not comment on the checks carried out at that time.

Barclaycard has provided extracts of the information it received from credit reference agencies from October 2015 onwards (by which time Mrs J's limit had increased to £9,000). This shows things such as external credit balances including any mortgage and a "confidence score" about her income. Barclaycard used this information alongside some internal scoring information to reach its decision on whether to increase Mrs J's credit limits. So it's clear to me that an assessment of Mrs J's circumstances took place prior to Barclaycard offering her any credit limit increases. The majority of the increases were relatively modest, and I've seen nothing from the information that is available which make me think Barclaycard ought to have carried out further checks.

But I've already mentioned that Barclaycard's data from the time the account opened, shows Mrs J had an income of £26,500. Barclaycard increased her limit to £12,100 in December 2017 (CLI5) and again to £15,100 in August 2018 (CLI6). These limits feel quite high in relation to her income but prior to CLI5, Mrs J appears to have managed the account well and was comfortably within the limits.

CLI5 was relatively small – just £500 – and Mrs J had run her account well. She was making repayments on time, for varying amounts and was comfortably within her limit. So on balance I think there was nothing that should have caused Barclaycard any concerns in providing Mrs J with a small increase at this stage.

In February 2018 (so just two months after CLI5) Mrs J exceeded her limit and was charged for doing so. She brought the account back into order within a month. But I think this could have been viewed by Barclaycard as a sign that the limit was towards the upper end of what was affordable for Mrs J. That said, by August 2018 when Barclaycard increased the limit again, she had reduced the balance to approximately £3,300.

But bearing in mind the level of income Barclaycard has logged on its system for Mrs J, the size of the limit increase it was proposing (£3,000 – roughly 25%) and the overlimit incident just six months earlier, I think Barclaycard ought to have done more to satisfy itself that she would be able to afford a credit limit of £15,100. I think it ought to have asked her for some more information about her finances in order to gain a better understanding of her situation. It follows that I don't think it carried out reasonable and proportionate checks before the limit increase to £15,100 in August 2018.

What would reasonable and proportionate checks have shown at the time? Did Barclaycard reach a fair decision to lend?

I've outlined above some of the circumstances which I think ought to have led Barclaycard to carry out further checks on Mrs J's finances before increasing her limit to £15,100. I think it would have been reasonable for Barclaycard to get a detailed understanding of her income and expenditure perhaps by asking for payslips and or her bank statements.

We've asked Mrs J for copies of her bank statements for the periods prior to the limit increases in order to ascertain what Barclaycard might have found if it had asked her for further information. Unfortunately she's not been able to provide us with any statements. So it's not possible for me to say what Barclaycard might have found if it had asked at the time.

Mrs J has however, provided a copy of her credit report dated 6 April 2020. While it provides some information – including confirming her credit score at that date was "*poor*" – it isn't new information. It represents a snapshot in time from almost two years after the last limit increase. Barclaycard has shown carried out checks of Mrs J's credit records at the time, and the information it saw then didn't suggest she was struggling financially.

I don't have sufficient information to enable me to say what Barclaycard would have found had it asked further questions. But I do know – as described above – that it did carry out *some* checks before offering the lending. I don't have enough information to conclude that carrying out further checks ought to have led Barclaycard to have reached a decision not to increase Mrs J's credit limit.

Overall, I'm not persuaded that Barclaycard created unfairness in its relationship with Mrs J as a result of its decision to give her the credit card or to increase her credit limit.

Did Barclaycard act unfairly or unreasonably towards Mrs J in some other way?

I can see that from March 2020, Barclaycard took the decision to reduce Mrs J's credit limit. She was able to stay within that limit except on one occasion in August 2020, and Barclaycard refunded the fee charged for exceeding it. And when Mrs J made a large payment reducing her balance to around £4,500 in May 2021, Barclaycard reduced her limit to £7,600 reducing her potential indebtedness while allowing her to still use the account. I think these reductions appear to have been handled in a fair and reasonable way.

Mrs J has also said she had previously asked Barclaycard "*if it was possible to stop adding interest for a while*". Mrs J hasn't said when that was and I've not seen any evidence of that in Barclaycard's notes. I can see she requested a payment holiday in April 2020 and that was agreed. In the absence of any evidence of a request to stop interest being made by Mrs J and received by Barclaycard, I can't reasonably make a finding that the bank treated her unfairly in that regard.

I note, as mentioned above, Mrs J has now repaid the balance of her account in full. I've not seen evidence to suggest that Barclaycard treated her unfairly in some other way.

Overall, and based on the available evidence I don't find that Mrs J's relationship with Barclaycard is currently unfair. It's not clear enough to me that Barclaycard created unfairness in its relationship with Mrs J by lending to her irresponsibly initially, or in respect of the credit limit increases. I don't find Barclaycard treated Mrs J unfairly in any other way either based on what I've seen.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs J to accept or reject my decision before 19 January 2025.

Richard Hale
Ombudsman