

## **The complaint**

Mr E has complaint that Barclays Bank UK PLC (“Barclays”) didn’t conduct sufficient affordability checks before lending to him. Had it done so it would’ve seen he couldn’t have afforded the repayments.

## **What happened**

Barclays advanced £11,000 in July 2019. The loan had interest fees and charges of £7,075. If Mr E repaid the loan in line with the credit agreement, he would’ve repaid a total of £18,075.

Mr E was due to repay this loan through 60 monthly repayments of £301.25. The loan had an APR of 23.9%. Mr E had some problems repaying the loan and the account defaulted in July 2020 before being sold to a third party in July 2022.

Following Mr E’s complaint to Barclays in June 2024, it wrote to him to say that it wasn’t upholding the complaint because it completed adequate checks that showed the loan to be affordable. Unhappy with this response, Mr E referred the complaint to the Financial Ombudsman.

The complaint was then considered by an investigator, and he didn’t uphold it. He said Barclays’ checks were proportionate and demonstrated the loan was likely to be affordable to Mr E.

Mr E didn’t agree with the outcome that was reached saying he had a County Court Judgement (CCJ) which had been reported in July 2018 and a defaulted motor finance agreement in 2015. Had Barclays conducted sufficient checks it would’ve seen the CCJ and not lent to him.

These points didn’t change the investigator’s mind and as no agreement could be reached the complaint has been passed to me to decide.

## **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 general approach to complaints about unaffordable/irresponsible lending - including all of the relevant rules, guidance and good industry practice - on our website. And I’ve used this approach to help me decide Mr E’s complaint.

Barclays needed to make sure it didn’t lend irresponsibly. In practice, what this means it needed to carry out proportionate checks to be able to understand whether Mr E could afford to repay any credit it provided.

Our website sets out what we typically think about when deciding whether a lender’s checks

were proportionate. Generally, we think it's reasonable for checks to be less thorough – in terms of how much information is gathered and what is done to verify it – in the early stages of a lending relationship.

But we might think more needed to be done if, for example, a borrower's income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So, we'd expect a firm to be able to show that it didn't continue to facilitate a customer's loans irresponsibly.

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Mr E's complaint. Having looked at everything I have decided to not uphold Mr E's complaint and I've explained why below.

Barclays has said that before the loan was granted Mr E's application was auto approved by its system because he had already been pre-approved for a loan with a greater limit. However, Barclays says that it used credit check results and its "...*internal scoring system*..." as well as a series of affordability calculations that were taken from information given by Mr E, his bank statement as well as information taken from the Office of National Statistics. Having carried out these checks, it concluded Mr E could afford the loan payments.

Barclays, for its affordability assessment used an income amount of £2,300 with monthly outgoings of just over £1,100 leaving around £1,100 per month to pay the loan repayment. Based on these figures the loan looked affordable.

A credit search was also carried out by Barclays – although it hasn't provided a copy of the results it received, it has said that Mr E had no unsecured borrowing, defaults or CCJs. However, Mr E has said, and shown, that he had a default and a CCJ.

Barclays has explained that the results it received, didn't show a CCJ. Whereas, I know, from the information provided by Mr E that he had a CCJ recorded against him around a year before the loan was granted. It isn't clear to me why this CCJ wasn't flagged as part of Barclays' credit checks.

There are of course some reasons that may explain this, firstly, Barclays may have only asked for records of CCJ's that had been reported within a specific period of time – for example within the previous 6 months. Or, its possible that the CCJ wasn't correctly reported to the credit reference agency used by Barclays. Whatever, the reason Barclays doesn't seem to have known about it.

And Barclays could only make its decision based on the information that it had to hand. But, even if Barclays was aware of the CCJ – that doesn't on its own, mean that it needed to have conducted further checks solely due to a CCJ.

And the same also applies to a default that Mr E says was added in 2015 – by the time of the loan application it would've been around four years old – and so would've been too far removed from the loan start date to have given Barclays any cause for concern – assuming that it was aware of it.

Finally, Barclays said there was no unsecured lending, but we know from the bank statements that here was a high-cost credit loan taken out in 2018. Barclays was asked by the investigator to confirm that it wasn't being reported in the results that it received and it said it wasn't.

Again, I'm not entirely clear why this was the case – it could be that the loan provider only reported the loan to one of the credit reference agencies – which is different to the one used by Barclays. This loan wasn't factored into Barclays' affordability assessments and its arguable whether it should've been, given the loan was being paid from Mr E's Barclays account. But even if the loan was added to his monthly outgoings, it would've still led to the same result – the loan would've appeared affordable.

It's also worth stating here, that Mr E has said he was taking the loan, in part for debt consolidation and the high-cost loan was one that was due to be settled. Indeed, given the information contained within his credit file, this Barclays loan was used to settle the balance on the loan – so moving forward that loan payment would no longer have been due.

I appreciate that Mr E has provided copies of two credit file reports from two different agencies. I can see the investigator has reviewed one of them and can see that they were able to identify other adverse data such as defaults and an IVA that was entered into in 2021. However, while this does show that Mr E went on to have financial difficulties, there weren't any signs of it when the loan was approved in 2019 and I can't uphold the complaint due to adverse information that was reported after the loan had been agreed.

In saying the above, there was some contradictions in the income figure used by Barclays for its affordability assessment at the time, what it explained in the final response letter and what can be seen in Mr E's bank statements.

Bearing, in mind Barclays said it used bank statements for some of these figures, I'm not entirely confident that the checks were proportionate. However, this still doesn't change the outcome of the complaint, given what I've said above about the credit searches.

The bank statements show that Mr E's income wasn't as high as Barclays used for the assessment. Mr E's income varied in the months before the loan of between £1,600 and £1,900. Mr E was also receiving a payment of £400 each month which was his partner's share of the rent – which Barclays may have included as part of his income.

I can then see a rent payment of £800 per month being paid – given this Barclays ought to have either included the partners share of the rent as income, and used the full rent figure. Or used half the rent amount and not counted the partner's share of the rent. But whatever it may have done – it would've still led it to conclusion that the loan was affordable.

But beyond that and payments to a credit card, account fees and subscription services. His monthly outgoings including the full rent payment came to around £1,000 - this excludes food, and transport but given the amount of disposable income left over I'm, satisfied this was more than enough to cover these costs and afford the loan payment. So even, if Barclays had felt it was prudent to conduct further checks into Mr E's finances it would've reached the same conclusion – he could've afforded the loan.

I am sorry to hear repaying the loan has been difficult for Mr E. An outstanding balance does remain due, and this seems to be with a third party now, if it's appropriate he may wish to contact them to discuss a way forward.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Barclays lent irresponsibly to Mr E 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 I've outlined above, I am not upholding Mr E's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 6 December 2024.

Robert Walker  
**Ombudsman**