

The complaint

Mr H complains Barclays Bank UK PLC trading as Barclaycard (Barclaycard) irresponsibly increased his credit limit because he was using the card to gamble.

What happened

Mr H opened an account with Barclaycard on 23 March 2015 with a £7,800 credit limit. He is unhappy Barclaycard increased his limit from £7,800 to £10,800 in April 2016. He said he had a serious gambling addiction, and the credit limit was increased automatically. He said he went on to use the extra credit to gamble. Mr H complained to Barclaycard on 2 November 2023.

Barclaycard responded to the complaint on 15 November 2023. It said Mr H had made his complaint too late and it didn't fall within our jurisdiction. Mr H remained unhappy and asked our service to investigate. An ombudsman issued a decision in February 2024 which said the complaint was one our service could consider.

So, our Investigator went on to consider the merits and felt the complaint should be upheld. They said Mr H had used the account for gambling transactions which had incurred cash transaction fees. Our Investigator felt these fees ought to have alerted Barclaycard to an issue with how Mr H was using his account and this ought to have prompted Barclaycard to look into things further. They felt it was likely Barclaycard would have discovered Mr H had a problem with gambling. Mr H accepted the view but Barclaycard didn't so the case was passed to me to decide.

On 11 October 2024, I issued a provisional decision. I said:

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website. Barclaycard will be familiar with our approach, and I've taken into consideration the rules and guidance as it was at the time of the lending decision.

In summary, before significantly increasing the limit on Mr H's credit card, Barclaycard was required to carry out appropriate checks to ensure the repayments were affordable and sustainable. The rules for responsible lending are set out in the Financial Conduct Authority's (FCA) Consumer Credit Sourcebook (CONC). The overarching questions I need to consider are:

- 1. Did Barclaycard complete reasonable and proportionate checks to establish Mr H would be able to repay the credit in a sustainable way?*
 - If so, did Barclaycard make a fair lending decision?*
 - If not, what would reasonable and proportionate checks have discovered, and would the decision to lend have been fair and reasonable in light of that*

information?

2. Did Barclaycard act unfairly in some other way?

The rules don't set out specific checks which must be completed by lenders to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate taking into consideration the circumstances. These circumstances include (but are not limited to): the type and amount of credit being provided, the frequency and amount of repayments, the total cost of the credit and what it knew about the consumer at the time.

Credit Limit Increase £7,800 to £10,800

Firstly, I note Barclaycard have not provided some of the information which has been requested including evidence of the creditworthiness checks which were carried out. For example, we have not received a copy of the credit search it conducted at the time of increasing Mr H's limit. This may be due to the amount of time which has now passed since the lending decision.

However, I'm satisfied a reasonable time has now passed for this information to be provided to our service. I can't be sure exactly what information Barclaycard gathered about Mr H's financial circumstances and what this showed about how he was managing his finances. Therefore, I'm unable to conclude the checks carried out were proportionate and I've thought about the information I do have and what this shows about the circumstances at the time.

I've reviewed the statements for the credit account Mr H had with Barclaycard. These show the account usage around the time of the lending decision and what information Barclaycard had about his account management. Having reviewed this information, I can see Mr H's account utilisation was high and in February 2016 and March 2016 he was near his credit limit. It also appears in these months he did not make a sustainable repayment instead paying only around the minimum repayment amount.

I can also see there were a significant number of charges for cash transaction fees. Mr H was charged £18.90 between 7 February 2016 and 24 February 2016 and £1.91 between 29 February 2016 and 24 March 2016. Each individual fee was relatively small, so the total charged represents several chargeable transactions throughout the months. Cash transaction fees continued to be incurred up to when Barclaycard decided to increase the limit in early April 2016. The utilisation, repayment amount and cash transaction fees satisfy me there were indicators at the time that Mr H might not be managing his account well and this ought to have prompted further consideration.

When reviewing the statements, I can see these chargeable transactions were clearly for gambling. The statements reference well known gambling sites. Not only this, but I can see a significant proportion of his total credit card spend in this period was being used for gambling. For example:

- Between 7 February 2016 and 24 February 2016 Mr H's total spend was £763.32 and £635 related to gambling transactions (incurring fees of £18.90).*
- Between 29 February 2016 and 24 March 2016 Mr H's total spend was £201.10 and £65 of this was related to gambling transactions (incurring fees of £1.91).*

So, in the months leading up to the lending decision, Mr H was spending a significant proportion of his total spend on gambling.

I appreciate Barclaycard have said Mr H was entitled to use his card for gambling at the time and complaints have previously been upheld where it has rejected gambling transactions. I do recognise there were no rules in place at the time which said Mr H couldn't use his card for gambling. However, I must consider the facts of this case. I'd note that this was not Mr H's own money he was using and given the proportion he was spending on gambling, I think there were signs Mr H was beginning to rely on credit to gamble, which suggests he would be unlikely to repay further credit in a sustainable manner.

Whilst I do note Barclaycard's comments that Mr H was making the repayment amounts, in the months leading up to the agreement he was only repaying around the minimum. In the absence of other evidence, I think the way Mr H was using his account ought to have indicated to Barclaycard that he may be at risk of not being able to sustainably repay the credit.

Notwithstanding this, I have seen a copy of Mr H's current account statements. I'm not saying Barclaycard needed to obtain these statements. However, I have considered the statements to understand Mr H's financial position and what was reasonably likely to have been found out at the time of the lending decision. I have reviewed Mr H's statements and I'm not persuaded he had committed expenditure (such as bills, housing and other commitments) which meant this lending was unaffordable. However, this isn't sufficient in itself to show it was responsible to lend – the lending must also be sustainable.

I note in January, February and March 2016 Mr H had increased the utilisation of his overdraft. Also, he took out two short term high-cost credit loans in March 2016 and April 2016. I can't say these would have shown on the credit search completed by Barclaycard given the proximity to the lending decision.

Nevertheless, the account does show a significant number of gambling transactions and additional lending which supports what Mr H has said about his problems with gambling at the time. The current account statements, alongside what I have seen from statements for the Barclaycard account, satisfies me there were likely to have been clear indicators that the credit limit increase wasn't going to be sustainable. In other words, Mr H was at significant risk of not being able to sustainably make the repayments within a reasonable period and extending further credit was likely to worsen his financial position.

Therefore, I don't think Barclaycard ought to have increased Mr H's credit limit from £7,800 to £10,800 in April 2016. I don't have evidence which shows me reasonable and proportionate checks were carried out at the time of the lending. Bearing in mind Barclaycard's obligations under the rules and guidelines at the time, I can't say they gave suitable and appropriate consideration to Mr H's financial situation or account management when they increased the limit. I think had Barclaycard done so, indicators were likely to have become clear that granting the credit limit increase was very likely to have had adverse consequences for Mr H and payments were unlikely to be sustainable. For these reasons, I don't think the credit limit should have been increased.

Did Barclaycard act unfairly in some other way?

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed below results in fair compensation for Mr H in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

I gave both parties the opportunity to respond providing they did so by 25 October 2024. Both parties confirmed they accepted the provisional 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.

Having done so, I see no reason to depart from the conclusion I reached in my provisional decision and as set out above.

Putting things right

As I don't think Barclaycard should have increased Mr H's credit limit above £7,800, I don't think it's fair for it to charge any interest or charges on any balances which exceeded that limit. However, Mr H has spent the money on the account, and I don't think it would be fair to ask Barclaycard to refund this.

Therefore, Barclays Bank UK PLC trading as Barclaycard should:

- Rework the account removing all interest, fees, charges and insurances (not already refunded) that have been applied to balances above £7,800 after 11 April 2016. This should include any cash transaction fees charged for the gambling transactions treated as cash.
- If the rework results in a credit balance, this should be refunded to Mr H along with 8% simple per year* calculated from the date of each overpayment to the date of settlement. Barclaycard should also remove all adverse information recorded after 11 April 2016 regarding this account from Mr H's credit file.
- Or, if after the rework there is an outstanding balance, Barclaycard should arrange an affordable repayment plan with Mr H for the remaining amount. Once he has cleared the outstanding balance, any adverse information recorded after 11 April 2016 in relation to the account should be removed from his credit file.

As Barclaycard has sold the debt to a third party, it should arrange to buy back the debt from the third party to ensure the redress set out above is carried out promptly.

*If Barclaycard considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr H how much it's taken off. It should also give Mr H a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

I'm upholding this complaint and Barclays Bank UK PLC trading as Barclaycard should put things right in the way outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 29 November 2024.

Laura Dean
Ombudsman