

The complaint

Mr M complains that Barclays Bank UK PLC trading as Barclaycard reduced the credit limit on his credit card account.

What happened

Mr M arranged a trip abroad to visit family in July 2024, and booked a hire car using his credit card at a cost of £1,001.65. Several weeks before his trip, Mr M noticed that the pre-authorisation charge for the car hire was no longer visible on his Barclaycard account. He contacted Barclaycard and the car hire agency, and established this was due to a technical problem with the agency. The agency told Mr M the charge would be taken at a later date.

While abroad, Mr M monitored his account to see if the funds had been taken and noticed that his credit limit had been reduced from £1,200 to £500. Mr M complained to Barclaycard. He was unhappy his credit limit had been substantially reduced without warning. He said Barclaycard knew he was going to be abroad, and that he was expecting a charge that would take him over the new reduced limit. He said the situation caused him considerable stress while abroad. Shortly after, Mr M decided to close his account.

Barclaycard didn't agree it had made an error. It said it was entitled to reduce Mr M's credit limit in line with the terms of the account, and that the decision was made following an alert it received from a credit reference agency (CRA). As a goodwill gesture, it refunded the card's outstanding balance of £2.88.

Still unhappy, Mr M referred his complaint to this service. Mr M disputed that Barclaycard had correctly relied on information from the CRA – as he wasn't aware of any new adverse information on his credit file. He said Barclaycard had failed to satisfy the Financial Conduct Authority (FCA)'s requirement that it treat customers fairly. Barclaycard acknowledged that the timing of its decision could have caused Mr M some stress and inconvenience, and offered him £100 to recognise this.

One of our Investigators considered the complaint, and thought Barclaycard's offer was fair in the circumstances. Mr M didn't agree, and asked for his complaint to be passed to an Ombudsman for a final decision. He said Barclaycard's actions had put him in a difficult situation, as the car hire agency attempted to process the transaction in November 2024 – despite the account being closed.

Mr M has recently raised a further concern that Barclaycard allowed the transaction to be processed after his account was closed. I understand Barclaycard has responded to that complaint separately. If Mr M remains unhappy, he can refer that complaint to this service and we'll consider it as a separate matter. I appreciate Mr M feels this issue is part of the complaint he originally raised. In this decision, I've considered Mr M's concern that Barclaycard unfairly reduced his credit limit – and the consequences of that decision. Barclaycard's decision to process a transaction on his account after its closure is a separate matter and not part of the complaint Mr M originally raised with Barclaycard – so I won't comment on it here.

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.

I can appreciate why Mr M feels let down by Barclaycard. It would have come as a shock for him to discover that his credit limit had been reduced while he was abroad – especially as he was expecting a charge that would take him over the new limit. I was also sorry to hear of the circumstances of Mr M's trip – and I understand this would already have been a stressful and upsetting time for him. For me to uphold Mr M's complaint, I need to be satisfied that Barclaycard made an error when reducing his credit limit – or that it otherwise treated him unfairly.

The account terms outline the following:

"6. Credit limit

We'll tell you what your credit limit is when we first open your account. We'll then review it from time to time. If we change your credit limit, we'll write to let you know.

(...)

Managing your credit limit

If we reduce your credit limit based on an assessment of risk or your ability to repay, we have the right to not give you any notice beforehand if we think this would not be appropriate. (However, we may choose to give you up to seven days' notice). We won't reduce your credit limit to less than your total outstanding balance, plus any transactions authorised but not yet charged to your account."

While the account terms allow Barclaycard to increase or decrease Mr M's credit limit, I've considered whether it treated him fairly. Barclaycard told Mr M its decision was based on an alert received from a CRA. This is as much information as I'd usually expect Barclaycard to share with Mr M. I appreciate why Mr M might find this frustrating – as he isn't aware of any new adverse information on his credit file. He's provided a copy of his credit report to demonstrate this. A decision to decrease a customer's credit limit can be based on a variety of factors – and won't necessarily be because of adverse data such as a missed payment or defaulted account.

Barclaycard has shared the information it based its decision on. I'm not able to share this information with Mr M, as it's commercially sensitive - but I'd like to assure him I've carefully considered it. Having done so, I haven't seen anything to suggest Mr M's credit limit was reduced in error, and I'm satisfied it was appropriate for Barclaycard to rely on the evidence it received.

Mr M says Barclaycard failed to make him aware of the change until after it had happened. Barclaycard wrote to Mr M about its decision on 9 July 2024 – two days before the change took effect – although he didn't see this letter because he was away at the time. It also sent him an email on 15 July 2024. I'm satisfied Barclaycard took reasonable steps to inform Mr M of its decision – and it wasn't required to give him any more notice than it did. The circumstances meant Mr M wasn't aware of the change until after it had taken place. But I can't see that this had a significant impact on Mr M – as he didn't need to use the account for any transactions over £500 before he knew the limit had changed.

Mr M says decreasing his limit was unreasonable, as he was expecting a charge that would

take him over the new limit – which Barclaycard was aware of. I wouldn't expect Barclaycard to reduce Mr M's limit to below the balance on the card, or below the value of any pending charges. While there was a pre-authorisation on the card for more than £500, that charge had been removed from the account several weeks before the limit was reduced. I can't see that Barclaycard had reason to believe the transaction would be processed imminently following its decision. I can't reasonably conclude that Barclaycard ought not to have reduced Mr M's limit on the basis that a charge *might* have taken the account over the new limit in the future.

In any case, the transaction wasn't processed while Mr M was abroad, or during the months following the trip. Mr M says the agency did eventually tell him it intended to process the transaction in November 2024 – so Barclaycard's decision caused him further stress and inconvenience. Mr M decided to close his account and make alternative arrangements following Barclaycard's decision. Mr M would have had sufficient opportunity to provide the car hire agency – and any other merchants – with his new payment details after he'd done so. So while it may have caused Mr M additional stress to discover that the merchant still intended to process the transaction at a later date, I can't fairly hold Barclaycard responsible for that.

Although it didn't think it had done anything wrong, Barclaycard offered Mr M £100 to recognise that its decision caused him some stress and inconvenience. Although I can appreciate the situation inconvenienced Mr M, I don't find that Barclaycard made an error or that it treated Mr M unfairly when reducing his credit limit. So, I think Barclaycard's offer of £100 is fair - and I won't be requiring it to do anything further.

My final decision

Barclays Bank UK PLC trading as Barclaycard has already made an offer to pay £100 to settle the complaint, and I think this offer is fair in all the circumstances.

So my final decision is that Barclays Bank UK PLC trading as Barclaycard should pay Mr M £100 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 10 February 2025.

Stephen Billings
Ombudsman