

## **The complaint**

Mr D complains that Barclays Bank UK PLC trading as Barclaycard lent to him irresponsibly when it gave him a credit card and increased his credit limit.

## **What happened**

In May 2019, Barclaycard gave Mr D a credit card with a limit of £1,100. In March 2021, it increased the credit limit to £1,650.

Mr D considers that Barclaycard did not undertake proper checks before granting the credit card and credit limit increase. Mr D said if it had, it would not have given him the credit card or increased the credit limit.

The investigator thought the complaint should be upheld. He did not consider the decision to lend to Mr D was reasonable in view of the information available to Barclaycard at the time it approved the lending.

Barclaycard did not accept what the investigator said. It responded to make a number of points, including:

- Its calculation of Mr D's disposable income was an estimate.
- Mr D applied for a balance transfer, reducing his debt elsewhere and the amount he would have to make in repayments to other debts – and he was reducing the interest on the transferred debt to 0%. That was factored into its assessment.
- The payment history shows that it had actually underestimated Mr D's disposable income. It said that Mr D has often paid four or five times what the minimum payment was. In addition, the way he used his card did not indicate that he was struggling.

## **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.

Barclaycard had a duty to make sure it did not lend irresponsibly. In practice, that meant that it should carry out reasonable and proportionate checks to understand whether Mr D could afford to repay before approving the credit card and/or increasing his credit limit.

What is reasonable and proportionate will depend on the individual circumstances. For example, it might be reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

On the other hand, we might think a lender needs to do more if, for example, a borrower's income was low, the amount lent was high or if the information the lender had indicated some financial difficulty. 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 lender to be able to show that it didn't continue to lend to a borrower irresponsibly

Barclaycard has told us that it verified Mr D's income using current account turnover, reviewed Mr D's credit file, used the information Mr D had declared, its estimated costs and data from his credit file to estimate Mr D's monthly expenditure and then performed an affordability calculation using the above data.

I consider those were reasonable and proportionate steps for a lender to take based on the amount Mr D was borrowing, the length of the relationship and what it knew about his circumstances. Of course, it was up to Barclaycard to estimate Mr D's other costs rather than ask him about it. That was its decision – and that was not unreasonable. But presumably the estimated figure was not plucked out of the air and was based on data about what the realistic costs were for someone in Mr D's position.

Barclaycard assessed that Mr D would be left with around £58.82 disposable income after taking into account all of the information it had about Mr D's income and expenditure. That was a reasonable conclusion for it to reach based on the information it had. That was sufficient to afford the minimum payment of 2.25% on a credit limit of £1,100, which would be £24.75.

I accept that Mr D could have transferred his existing credit card debt to take advantage of the 0% balance transfer on the Barclaycard credit card. But as far as I can see Mr D only had around £500 in existing credit card debt at the time – and that is the amount he actually transferred. The information Barclaycard has given us appears to show that it only took into account payments of £1.53 a month towards the credit card. So it is not clear why it considers that would make a material difference to the affordability in this case.

Even if Barclaycard had used a more realistic figure for payments to the existing credit card debt of say 5% - that would only be £25 a month he would save by transferring the debt. That would make Mr D's disposable income – at best - £83.82. I still consider that is a relatively low figure for Mr D to sustainably manage his credit card debt and to be able to cope with contingencies or emergency expenses, bearing in mind Mr D would also need to make the minimum payment to Barclays of £24.75 from that amount.

But under CONC 5.2A.27, in assessing affordability, Barclaycard must assume that the borrower draws down the entire credit limit at the earliest opportunity and repays it at the earliest opportunity over a reasonable period. So Barclays ought to have thought about whether Mr D could afford to pay back the full amount of the credit limit over a reasonable period. Its assessment that Mr D could meet the minimum payment sustainably doesn't sufficiently show that it reasonably assessed the information it had.

Even if Barclaycard had made such assumptions, a reasonable period to repay a debt of £1,100 would be between one and two years. But if we take the 18 month 0% balance transfer period as reasonable – Mr D would need to pay £61 a month to repay the debt. Bearing in mind I've already found that even paying the minimum payment left Mr D with an unreasonably low disposable income, the position would have been worse had Barclaycard assessed the information it had fairly.

Overall, I agree with the investigator that Barclaycard has not shown that it fairly and reasonably assessed the information it had about Mr D. If it had, I don't see how it reasonably could have concluded that the credit limit it agreed was sustainable – it left him with very little disposable income to manage with. The points it has made about Mr D has operated the account is not relevant to my decision. I am only considering whether Barclaycard's lending decision was fair and reasonable. And for the reasons I have explained. I don't think it was.

### **Putting things right**

I agree with the investigator that Barclaycard should:

- Rework the account, removing any interest, fees and charges.
- If the above recalculation results in Mr D having paid more than the amount originally lent, then Barclaycard should refund any overpayments and pay interest at 8% simple per year from the date any overpayment was made until date of settlement. Barclaycard should remove any adverse information from Mr D's credit file in relation to the credit card. If HM Revenue and Customs requires Barclaycard to take tax off the interest, it should give Mr D a certificate showing how much tax it has deducted, if he asks for one.
- If a capital balance remains, Barclaycard should work out an affordable repayment plan with Mr D.

### **My final decision**

My final decision is that I uphold this complaint. Barclays Bank UK PLC trading as Barclaycard should take the steps set out above to settle the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 7 April 2025.

Ken Rose  
**Ombudsman**