

The complaint

Mr T, through his representative, complains that Barclays Bank UK PLC trading as Barclaycard, ("Barclaycard") lent to him irresponsibly by approving a card for him in 2019. Mr T says that the credit limit increases ought not to have been approved either.

What happened

Mr T's representative did some research on the credit accounts Mr T had opened when he applied for the card in February 2019. These I will come back to later in my decision. It submitted the complaint for Mr T in early 2024. Barclaycard responded to say that it did not uphold his complaint. Mr T's complaint was referred to the Financial Ombudsman Service where one of our investigators considered it.

At first the investigator's view was that Barclaycard had carried out proportionate checks and she did not consider that the complaint should be upheld. Mr T's representative then made submissions to show that in early 2019 Mr T had five other revolving credit accounts and had used a credit card he already had to take out cash and therefore although he *'was earning a good wage'* he also had *'significant outgoings'*. It referred to Mr T's overdraft use as well.

Our investigator's view altered to being a full uphold of the complaint. Barclaycard disagreed, made further submissions, all of which I read, and the complaint was passed to me to decide. On 13 February 2025 I issued a provisional decision giving reasons why I planned not to uphold the complaint. Barclaycard has not responded. Mr T, through his representative, has and has sent to us a full suite of bank account statements although some are missing for example July 2022. I've summarised Mr T's recent submissions:

- Citation of the rules and regulations surrounding irresponsible lending;
- Overdraft dependence and high expenditure in January and February 2019;
- Pre-existing debt;
- The change in circumstances for the August 2022 credit limit increase including the relatively new mortgage payments to which he was committed;
- The credit limit increases were inappropriate despite rising debt and obligations
- Mr T assumed I had not seen his bank statements.

I have reconsidered the complaint and I have reviewed the relevant bank account statements for 2022. I already had the April 2022 statement which I had considered as part of my review of the complaint. The May 2022 and July 2022 statements have not been sent this time either. I do not consider that I need to see them. Mr T has had plenty of time to present its complaint.

The provisional decision dated 13 February 2025 is duplicated, in smaller type, in the next section of this decision followed by my final 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.

What I provisionally decided on 13 February 2025 – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Our approach to unaffordable/irresponsible lending - including all the relevant rules, guidance, and good industry practice - is set out on our website and I have followed it here. Barclaycard is required to lend responsibly. It needed to conduct checks to make sure that the credit it was giving to Mr T was affordable and sustainable. Such checks needed to be proportionate to things like the credit limit it offered Mr T, how much he had to repay (including interest and charges) each month, his borrowing history with it and what it knew about his circumstances. But there is no set list of checks it had to do.

This means to reach my conclusion I need to consider if Barclaycard carried out proportionate checks at the time it approved the card for Mr T and subsequently applied the credit limit increases; if so, did it make fair lending decisions based on the results of its checks; and if not, what better checks would most likely have shown.

The approach by Barclaycard is not just looking at the likelihood of the credit being repaid, but the impact of the repayments on Mr T. There is no set list of checks that it had to do, but it could consider several different things such as the amount of credit being applied for, the likely monthly repayments and the overall circumstances of the borrower. Also, I'll consider whether Barclaycard acted unfairly towards Mr T in some other way.

General points

For the initial approval of the card, Barclaycard has said it verified his income, and it went on to explain:

'Barclaycard modelled, based on realistic assumptions, his rent and other essential spend based on [Mr T's] family structure, income and factoring other details, where relevant, such as his address. Barclaycard also undertook a check at a CRA. As shown within the information submitted, all the active credit accounts [Mr T] held at the time were up to date with good repayment histories.'

'CRA' is reference to a Credit Reference Agency'. Use of modelling and/or statistics is a reasonable and proportionate approach when there's nothing else that Barclaycard discovered which would have led it to think that additional checks or a full Income and Expenditure (I&E) assessment was needed. So, I don't consider that was out of line with the industry practice, or disproportionate.

Barclaycard says Mr T would have been provided with the credit limit increases based on how his credit card was being managed. It had access to credit information, which showed his external debt, and some information on his income and expenditure.

In its view, the information obtained indicated that Mr T's existing debts, as well as his Barclaycard credit card, were being satisfactorily managed and as such it wasn't unreasonable to have increased the credit limits on the card on the occasions that it did. On the other hand, Mr T's representative says that the card should not have been approved and/or the limit increases shouldn't have been provided to him. I've considered what the parties have said.

What's important to note is that Mr T was provided with limit increases to a revolving credit facility rather than a loan. And this means that Barclaycard was required to understand whether credit limits of £5,000, £6,000, and £7,500 could be repaid within a reasonable period, rather than all in one go.

Credit limits of £5,000 £6,000 and £7,500 didn't require huge monthly payments to clear the full amount owed within a reasonable period. I say this particularly as a reasonable period, in these circumstances, is likely to equate to the cost over a loan term for equivalent loan amounts. And I have used the Financial Conduct Authority (FCA) CONC guide to assist me in coming to these conclusions. Extracts from these are set out here:

CONC 5.2A.28 G - A Firm must 'have regard to the typical time required for repayment that would apply to a fixed-sum unsecured personal loan for an amount equal to the credit limit. ...'

CONC 6.7.33 G suggests that such a term would usually be between three and four years. An example is that £4,000 over, say, an equivalent loan term of, say, 36 months would equate to around £120 a month including interest. This is a rough calculation. I have kept these FCA guidance paragraphs in mind when considering the complaint.

Here is a brief table of the lending decisions Barclaycard made.

Date	Event	Credit limit set	New credit limit
February 2019	Card approval	£4,000	£4,000
February 2021	Credit Limit 1	£4,000	£5,000
November 2021	Credit Limit 2	£5,000	£6,000
August 2022	Credit Limit 3	£6,000	£7,500

I have records from Barclaycard which demonstrate to me that in January 2024, Mr T paid a substantial amount of the card balance off and as of June 2024 the credit card copy statement I have shows his balance was just under £32. His limit was £7,500. I will come back to my analysis of the way that Mr T used the card over the years later in this decision.

The card approval in February 2019.

Barclaycard has sent to me detail about the information it had gathered from Mr T when he applied, together with the information it researched into before approving the card. That limit was set at £4,000.

Mr T informed Barclaycard he was self-employed, earned about £48,000 each year and it knew from a credit search what other accounts Mr T had. These included three bank accounts, a mail order account, an historic loan that had a zero balance, a hire purchase (HP) account and a mobile phone. It knew Mr T had three credit cards of which one had a zero balance and the other had an outstanding balance of £8,522. None of these had any adverse records, late payments or other issues on the repayment records. His total outstanding balances excluding any mortgage (of which Mr T had none) was £24,789 of which a large proportion of that (around £14,460) was for the HP/PCP loan which likely was a car. That HP agreement was costing £424 a month at that time.

Barclaycard carried out an income confidence factor check widely used in the industry and was satisfied his income each month (after deducting tax) was around £3,070. It used the information it had about his bills, living costs (or likely living costs) plus his credit commitment costs to get to a figure of £1,855 as an expenditure sum. That meant it had calculated Mr T had £1,093 of disposable income left and therefore able to afford a credit limit of £4,000.

There were no other indicators about which Barclaycard ought to have had a concern such as any County Court Judgments, defaults, or insolvency markers. In the circumstances I do not consider it needed to do further checks. I consider that Barclaycard carried out proportionate checks and made a fair lending decision in February 2019 when the card was approved with a £4,000 limit.

And I can augment my conclusion here by citing his own representative's letter of complaint. This listed what it considered Mr T had as active accounts when he applied for the card in 2019 or any account that had been settled in the previous 3 months. These were three bank accounts, a loan with a zero balance, a credit card with a balance of £8,522 and a mail order account with a balance of £109. So, Mr T's own representative has not presented a financial picture much different to that which Barclaycard knew of, save that Barclaycard also knew of his HP commitment and took that into account when assessing his card application.

However, after the investigator's first view, Mr T's representative came back with further submissions. It said that in early 2019 Mr T had five other revolving credit accounts and had used a credit card he already had to take out cash and therefore although he 'was earning a good wage' he also had 'significant outgoings'.

I have seen that our investigator considered this, and I am issuing this provisional decision as I disagree with the outcome that this information ought to have led Barclaycard to have refused Mr T's application.

Firstly, the information Barclaycard obtained before approving the card application was comprehensive and it knew the overall picture surrounding Mr T's income and his outgoings. So, I do not consider that Mr T's representative's submissions surrounding this income and outgoings persuasive.

Secondly, Barclaycard did not, and I do not consider that it ought to have known of Mr T's cash advances from a credit card. Not all business credit searches show the same information as a personal credit report and so Barclaycard was unaware of these cash advances.

Added to which, withdrawal of cash can be an indicator that a person has a cashflow problem which, in turn, may point to the individual being in financial hardship. But it may also not. For financial hardship to be clearly an issue at the time, I would have expected there to have been records of Mr T having gone into his unauthorised overdraft, or possibly having trouble keeping up with payments on his existing accounts. There is no evidence of this within the credit report Barclaycard received. Plus, there's a possibility that the cash withdrawals may have been on a card attached to Mr T's business as he was self-employed.

And in any event I consider it is academic as Barclaycard carried out proportionate checks when Mr T applied for the card, and I do not consider that it would have known of any cash advances.

Mr T's representative does refer to the fact Mr T was using his overdraft as well. And I can see that the information Barclaycard had in March 2019 – just after the account was opened – indicates that he was in his overdraft on a current account at that time. Assuming it had this information for the month before, and Barclaycard factored it into his assessment, then my view is that utilising an overdraft does not necessarily mean that a credit card application is bound to fail. I plan not to uphold Mr T's complaint about the card approval.

Mr T's use of the card and 2021 credit limit increases

Before I write about each individual credit limit increase, I have been sent all of Mr T's credit card statements from March 2019 to June 2024 which I have reviewed. His use of the card account was controlled, and Mr T appeared to have a clear intention: that being to pay down debt and not use the card for additional transactions. And I say this because of the way he used it over the years. His opening balance took advantage of a 0% balance transfer offer which he utilised. Having transferred money to the account he regularly paid much more than the minimum payment and rarely used the card for anything else. So the original debt from the other source attracted no interest and was paid down by Mr T.

As the card ownership continued Mr T utilised other offers Barclaycard had, particularly during Covid. At one point Mr T had three 0% balance transfer offers on the card one of which was for 15 months until May 2023. And Mr T paid off regularly, often £250 or £400 a month and rarely used the card for anything else. And it's noticeable that when he did use the card, it was for an on-line game station series of fees. And these transactions were relatively rare and intermittent. Barclaycard has made submissions surrounding Mr T's card management and I agree with it. The overall conduct demonstrates to me that Mr T had careful control of the card use and took advantage of a series of 0% offers to pay down debt transferred from another source. There were no indications of any poor management or excessive use of the card – as I said – he hardly used it to buy anything.

Against that background picture, I have seen that when Barclaycard came to review Mr T's card management and looked again at his credit file details then the information it obtained was favourable for each credit limit increase date. Added to which, when I have reviewed the individual Barclaycard statements for a couple of months before the credit limit increases then Mr T's outstanding balance was not near the existing credit limit.

For the first increase in February 2021, Mr T's balance was £1,968 on a £4,000 limit and for the second in November 2021, it was £365 on a £5,000 limit. For the third in August 2022, the outstanding balance was £4,100 on a £6,000 limit and that was due to some earlier balance transfers onto that card. Mr T had regularly paid to the card £200 or £250 or £400 a month and by doing that had paid the balances down within a reasonable period of time and from what I can see of his wider credit file picture he had paid down the other card debts too.

In summary, for the credit limit increases in February 2021 and November 2021, I consider that the information Barclaycard gathered before increasing his limits on those two occasions showed nothing for it to be alerted to any concerns surrounding Mr T's ability to pay and afford the increases. I consider that the credit limit increases were carried out after proportionate checks and fair lending decisions were made. I plan not to uphold the complaint about those two in 2021.

2022 credit limit increase

The change was that Mr T took a mortgage in 2022. At that same time, he had much less credit card debt overall, paid less to other credit accounts and did not pay rent. Still his outgoings were, with a mortgage, higher than when he opened the card in 2019 and higher than when Barclaycard had increased the limits twice before. Mr T's mortgage in 2022 and the credit check Barclaycard obtained showed it was costing Mr T £1,279 each month. (His personal credit file has a lower figure of £1,153.) The balance on the card in July 2022 had increased as on 1 June 2022 Mr T had used one of the balance transfer offers outlined earlier in this decision. It was for £2,863 and gave Mr T an interest free period until June 2023.

So, Mr T's outgoings had increased and on his original income figure of just over £3,000 after tax, likely a challenge to afford all. I'm aware that there were no other markers of any kind on the information Barclaycard obtained to lead it to think that additional checks were required. But for the avoidance of doubt, I consider that before raising the credit limit to £7,500 maybe a further check would have been prudent and proportionate.

I have been sent the April 2022 bank account statements. Our investigator did not ask for June 2022 or July 2022 and the May 2022 ones were not available from Mr T to send to us for some reason. So, I have used Mr T's personal credit file combined with what I see are the income and outgoings and transactions on one of his current accounts in April 2022. And I have reviewed the credit card statements leading up to August 2022. They give me an indication of what Barclaycard might have discovered if it had carried out a further check before increasing the limit in August 2022.

Mr T's salary at the end of April 2022 was just under £4,000 after tax into his account. He had received a further £1,000 earlier in the month from an account bearing his name and so I assume it was his. So that appears to be a net income of £5,000 in one month. His credit file shows me that:

- The £2,863 which was transferred from one of his other credit cards to the Barclaycard on 1 June 2022 was the same figure as the balance on that other card therefore clearing that card.
- Another credit card had a zero balance from the beginning of 2022 and was not used again and does not look to be used at all now.
- A loan costing about £300 a month
- The mortgage which started 30 March 2022 – his credit file says the monthly cost was £1,153. But Mr T's personal credit file report also shows that on the same date and with the same provider a Financial Connection was registered which demonstrates to me that this was a mortgage paid by Mr T and one other. So, the cost to him would have been around £577 a month on the evidence I have.
- A loan costing £47 a month
- Mail order with a £250 balance, so little to pay on that.
- Mobile phone, utility and insurance accounts costing together about £300, the utility bills likely would be jointly paid for as the property had a joint mortgage.

A review of the bank statement Mr T has provided shows these outgoings including the first mortgage payment in April 2022 (of £1,153) plus a vehicle leasing payment for £432 each month.

So, even if Barclaycard had checked his personal credit file and his bank account outgoings then I think it would have seen that Mr T was able to afford the limit increase of £1,500 put forward to him in August 2022. His income was about £5,000 and his outgoings were much less than that. I add them up to be around £2,232 on the list above and to reach that figure I have proceeded by including all of the mortgage cost fell to Mr T. Add to that some insurance, petrol and food and I consider that Mr T's income was enough to cover that. A £1,500 increase on the card which at that time had a modest balance of £4,100 would have looked affordable to Barclaycard. I plan not to uphold Mr T's complaint about this third credit limit increase.

Did Barclaycard act unfairly or unreasonably in some other way?

I've also considered whether Barclaycard acted unfairly or unreasonably in any other way, and I have 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 it lent irresponsibly to Mr T 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.

This is the end of the duplicated provisional decision. I have reviewed the submissions and evidence from Mr T in response to the provisional decision.

In February 2019, having reassessed the information Barclaycard had when Mr T applied for the card, and having reviewed all that I said in my provisional decision relating to the card approval, my decision is the same. There would have been no reason for Barclaycard to have considered that further checks were required. So, a review of bank account statements would not have been expected. And in these circumstances surrounding Mr T's situation in February 2019 for Barclaycard to have asked for them would have been disproportionate.

In relation to the overdraft use, I have rechecked the information Barclaycard had in February 2019 and it was aware that Mr T had two bank accounts of which one had an outstanding balance of £354 on it which points to modest overdraft use. And so I am further satisfied Barclaycard had accounted for the overdraft use before approving the card.

And despite Mr T's strong feelings about it, use of an authorised overdraft is not necessarily an indicator of financial difficulties. The comprehensive information Barclaycard had when he applied (detailed credit report information) showed no adverse entries or late payments in relation to his current accounts use (and it knew he had more than one), his existing repayment records with other creditors, nor where there any indicators of any delinquency or insolvency. His income had been verified. I repeat here all that I said in the provisional decision for the card application and approval. I do not uphold the complaint about the credit card approval.

For each of the credit limit increases my decision remains the same. For the last one, in my provisional decision I did consider that a prudent approach to a further credit limit increase would have been to do further checks in August 2022 and that would have been the right course of action by Barclaycard. And so I went on to look at what it likely would have seen if it had done those additional checks.

I had the April 2022 bank statements for one of his accounts. Now I also have the June 2022 one for that same account. The May 2022 and July 2022 ones have not been supplied. I do not know why and I do not consider that I need them. Mr T has had plenty of time to send to me the evidence he wishes.

I have looked at the June 2022 bank statement and reviewed the April 2022 one as well. They reinforce my view that Mr T was able to afford the credit limit increase in August 2022. It reaffirms what I had said before that Mr T's income was approaching £5,000 a month after

tax and here I can see a credit from his employer of £4,749 in June 2022 plus additional income from other sources of around £400.

And that £400 does not include the money paid to this account from the person identified as his financial associate and with whom I am confident he shared the mortgage. The June 2022 statement shows that Mr T paid the full mortgage amount of £1,153. That financial associate paid into the account in June 2022 at least £1,100 which I interpret to be her contribution to the mortgage and/or bills. I had referred to this in detail in my provisional decision and Mr T has not provided information to suggest I was mistaken about that. And the further bank statement indicates that this likely was the arrangement between them. This inevitably reduces Mr T's commitment to the mortgage and corresponding household bills.

In addition to the list I provided in the provisional decision (duplicated here on pages 5 & 6), I can see in the June 2022 statement that he paid towards a different credit card and clearly was not paying the minimum repayment required on that card. But I don't consider that enough to mean that Barclaycard's decision to increase a credit limit would have differed.

Mr T used his overdraft during the later part of June 2022, but there were no indications of financial difficulties. In fact, quite the reverse. Mr T was not having difficulties paying his bills or mortgage or other essential commitments. And he had income left to spend on non-essential things which is usual to see where people have disposable income.

A £1,500 increase on the card which at that time had a balance of £4,100 would have looked affordable to Barclaycard. I do not uphold the complaint in relation to the three credit limit increases.

I've also considered whether Barclaycard acted unfairly or unreasonably in any other way and I have 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 it lent irresponsibly to Mr T 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

My final decision is that I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 26 March 2025.

Rachael Williams
Ombudsman