DRN-5323647

The complaint

Ms A has complained about a credit card she took out in July 2017 with Barclays Bank UK PLC trading as Barclaycard. She's said the credit card was unaffordable and shouldn't have been approved. She's also unhappy with the credit limit increases.

What happened

Ms A took out this credit card account in July 2017 with a credit limit of £10,000. The credit limit was increased to £13,000 in August 2018 and to £16,000 in March 2020.

In 2024, Ms A complained to Barclaycard to say the credit card should never have been provided to her. Barclaycard didn't think it had acted unfairly when lending to Ms A.

Our Investigator didn't recommend the complaint be upheld. she thought Barclaycard had carried out reasonable and proportionate affordability checks, and Barclaycard made a fair decision to lend each time.

Ms A didn't agree, so 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.

The Financial Conduct Authority (FCA) sets out in a part of its handbook known as CONC what lenders must do when deciding whether or not to lend to a consumer. In summary, a firm must consider a customer's ability to make repayments under the agreement without having to borrow further to meet repayments or default on other obligations, and without the repayments having a significant adverse impact on the customer's financial situation.

CONC says a firm must carry out checks which are proportionate to the individual circumstances of each case. What is proportionate will vary with each lending decision and considers things such as (but not limited to): the amount of credit, the size of the repayments, the cost of the credit, the purpose the credit was taken out for and the consumer's circumstances.

What's important to note is that Ms A was provided with a revolving credit facility rather than a loan. And this means that to start with Barclaycard was required to understand whether a credit limit of £10,000 (and then £13,000 and £16,000) could be repaid within a reasonable period of time, rather than all in one go.

Barclaycard asked Ms A for information when she applied for this credit card in 2017, including her income, employment status and residential status. Barclaycard also obtained a credit report for Ms A in order to establish what her current credit commitments were and how she'd been managing those commitments.

Ms A declared on the application she was employed, with an income of £24,000, and she said she was a tenant. Her active credit commitments were shown to be an unsecured loan which she'd taken out in July 2016 that had a monthly payment of £181, a current account, and a credit card account with a balance of around £3,190. Ms A had no CCJs or defaults, and her credit commitments showed no missed payments.

Barclaycard verified Ms A's income (£1,624 net) using an automated income verification tool provided by one of the credit reference agencies. It then carried out an affordability assessment using her payments to creditors from her credit report and her other living expenses, which Barclaycard said it had estimated using statistical data typical to someone in similar circumstances to Ms A. CONC allows businesses to use statistical data to estimate a customer's non-discretionary expenditure unless they have reasonable cause to suspect that the data might not be reasonably representative in the customer's specific situation. I haven't seen any reason that Barclaycard might have thought Ms A's non-discretionary expenditure might significantly differ from statistical data.

Having completed these checks, Barclaycard decided that Ms A could afford a card with a credit limit of £10,000. I think these checks were proportionate given the credit offered and Ms A's circumstances.

I also think that Barclaycard made a fair lending decision in the circumstances too. At the time Ms A had a credit card with a balance of around £3,190 and she said she wanted to transfer the balance from that card to this new Barclaycard account. The only other outstanding debt Ms A had was an unsecured loan she had held for a year which had an outstanding balance of around £9,450 and a monthly payment of £181. As I said, Ms A had no missed payments, and she didn't show any signs of financial distress such as the use of payday loans or other forms of short-term credit.

The credit limit was increased in August 2018 to £13,000 and Barclaycard completed further checks at the time. Barclaycard again looked at Ms A's overall credit commitments and assessed how she had maintained her account with it. Outside of this card, Ms A still only had the one unsecured loan which by now had a balance of around £7,090, her current account upon which she had a £940 overdraft and her other credit card which had a balance of around £1,360. Ms A wasn't using her full Barclaycard credit limit, with a balance of around £7,600 against the credit limit of £10,000. And all her payments had been made on time, with Ms A paying more than the minimum payment due in four of the twelve months. Given the increase in the credit limit of £3,000 being offered, I am satisfied that these checks were proportionate in the circumstances.

The credit limit was increased in March 2020 to £16,000 and Barclaycard completed further checks at the time and again looked at Ms A's overall credit commitments and assessed how she had maintained her account with it.

Ms A still wasn't using her full credit limit, with a balance of around £8,170 against the credit limit of £13,000, and she'd still had no problems with her Barclaycard monthly payments. By now Ms A had another credit commitment, with her loan repayments going up from £181 a month to £259 a month. She'd paid off her other credit card balance and had around £820 owing on her overdraft.

Given the increase in the credit limit of £3,000 being offered, I am satisfied that these checks were proportionate in the circumstances.

For both the credit limit increases, the income and expenditure showed that Ms A had a disposable income that would have given her the capacity to take on the higher credit limit each time. For the first increase Ms A's active external debts had been reduced to around £9,390, and for the second increase they'd reduced to around £8,080.

Having considered everything very carefully I'm not persuaded that Barclaycard's decisions to increase Ms A's credit limit in August 2018 and March 2020 were irresponsible or that the new credit limits were unaffordable. Ms A has said the credit limit increases were granted without her permission, but she had the option to reject the increase both times and instead keep her current limit. That is entirely normal with credit cards.

Whilst Ms A has said she had a lot of other debts at the time of the second increase and she was struggling, that's not reflected in the information Barclaycard obtained from the credit reference agency that showed Ms A's external debt had decreased at that time as I've set out above. I also note Ms A managed to obtain a mortgage in November 2020, and the balance on this credit card averaged around £2,750 between October 2020 and January 2023 (with the highest balance being £7,640 and the lowest £560 in that period).

I note that Ms A has said that her financial situation was worse than was shown by the information Barclaycard had. If that was the case, Barclaycard didn't know this at the time it made the lending decisions and, as I have said above, I am satisfied that the checks it made were proportionate and so it couldn't be expected to have known if Ms A didn't tell it.

Overall, I am not persuaded that Barclaycard lent to Ms A in an irresponsible manner or that it treated her unfairly. In reaching my conclusions, I've also considered whether the lending relationship between Barclaycard and Ms A might have been unfair to Ms A under section 140A of the Consumer Credit Act 1974. However, for the reasons I've explained, I don't think Barclaycard irresponsibly lent to Ms A or otherwise treated her unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A or anything else would, given the facts of this complaint, lead to a different outcome here. I'm therefore not upholding Ms A's complaint.

I appreciate this is likely to be very disappointing for Ms A but I hope she'll understand the reasons for my decision.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms A to accept or reject my decision before 25 April 2025.

Julia Meadows
Ombudsman