

The complaint

Mr S is unhappy that Barclays Bank UK PLC, trading as Barclaycard, reduced his credit limit on his credit account.

What happened

Mr S has a credit account with Barclays on which he used to have a credit limit of £1,050. In September 2024, Barclays reduced the credit limit available to Mr S from £1,050 to £650. The following month, in October 2024, Barclays reduced Mr S's credit limit again, this time to £400. And Barclays then reduced Mr S's credit limit for a third time in as many months in November 2024, when the account credit limit was reduced to £100.

Mr S asked Barclays why they had chosen to reduce his credit limit as they had and was told that Barclays had received emergency alerts from a credit reference agency that had prompted their decisions to reduce his credit limit. Mr S wasn't happy that Barclays had reduced his credit limit from £1,050, and he also felt that Barclays weren't being truthful about why they had reduced his credit limit. So, he raised a complaint.

Barclays responded to Mr S's complaint but didn't feel that they'd done anything wrong by reducing the credit limit on his account in the manner that they had. And Barclays also confirmed to Mr S that their decision to reduce his credit limit had been prompted by emergency alerts that they had received from a credit reference agency. Mr S wasn't satisfied with Barclays response, so he referred his complaint to this service.

One of our investigators looked at this complaint. But they didn't feel that Barclays had acted unfairly as Mr S felt was the case and didn't uphold the complaint. Mr S remained dissatisfied, so the matter was escalated to an ombudsman for a 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.

Mr S is unhappy that Barclays have reduced the credit limit on his account. But it must be noted immediately that a credit limit of any specified amount isn't a 'right' that a credit account holder has. Instead, a credit limit is provided to a credit account holder entirely at the discretion of the business providing the credit.

This means that it's entirely at Barclays discretion as to what amount of credit they're willing to make available to Mr S. And if Barclays feel uncomfortable providing a certain level of credit to Mr S, for whatever reason, then it's entirely within Barclay's right to reduce the credit limit available to Mr S at any time.

This fact is explained in the terms and conditions of Mr S's credit account, which state as follows:

“We set your credit limit according to your circumstances, your account usage and history, information from other parts of the Barclays Group, information we receive from credit reference agencies, and any other information we think is relevant. 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 let you know.

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 wouldn’t be appropriate. (But 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.”

What the above quoted term means is, as I’ve previously explained, that Barclays can reduce the credit limit available to Mr S at any time if they choose to do so. And while Barclays don’t need to give Mr S any notice of the credit limit reduction, they’ll try to give him seven days’ notice if they feel it’s appropriate. And, upon review, I’m satisfied that Barclays have acted in accordance with the terms of the account, and in accordance with their own rights as the credit provider, when reducing the credit limit available to Mr S on his account.

Mr S is also unhappy because he feels that Barclays lied to him about receiving emergency alerts from a credit reference agency that prompted their decision. I can see that information that confirms what prompted Barclays decisions has already been provided to Mr S, but that the content of this information hasn’t been clearly explained to him. I apologise to Mr S for this, and I explain it now as follows.

Mr S has been provided a copy of Barclays cardholder memos for his account. This shows that the first credit limit decrease was noted on 11 September 2024, and Mr S is unhappy that there doesn’t appear to be any mention in the memos of an emergency alert from a credit reference agency being received before this (or indeed at any point in the memos).

But as can be seen in the memos, on 6 September 2024, there is a memo titled ‘CLD7’ that simply states ‘DM’. This CLD7 memo is a notification that a decision has been made by Barclays to reduce the credit limit on Mr S’s account, and the ‘DM’ is the reason code that explains what prompted this decision.

There are several reason codes that can be input here, but importantly, ‘DM’ is the code for when an emergency alert has been received from a credit reference agency. This alert was received due to how Mr S had managed a credit account held with another provider (i.e. not Barclays). The exact reasons for this alert aren’t provided, but it could be for a number of reasons including because of a missed payment, a default, entering a repayment plan, or some other form of adverse credit file reporting.

Accordingly, I’m satisfied that Barclays did receive an emergency alert from a credit reference agency that prompted them to reduce Mr S’s credit file in September 2024. And the cardholder memos show the same CLD7 memo with a ‘DM’ reason code applied in the following two months, immediately before Barclays further reduced Mr S’s credit limit in those months.

Again, I apologise if the information about what prompted Barclays to reduce the credit limit on his account wasn’t made clear to Mr S when it was sent to him. But ultimately, not only am I satisfied that Barclays didn’t lie to Mr S about why they reduced the credit limit on his account, I’m also satisfied (as previously explained) that Barclays had the right to reduce the credit limit on Mr S’s account regardless of the reason they felt it prudent to do so. And for these reasons, I don’t feel that Barclays have acted unfairly towards Mr S and so I won’t be upholding this complaint or instructing Barclays to take any form of action.

I realise this won't be the outcome Mr S was wanting. But I hope that he understands, given what I've explained, why I've made the final decision that I have.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 6 May 2025.

Paul Cooper
Ombudsman