

The complaint

Mrs F complains that Barclays Bank UK PLC lent irresponsibly when it approved two loan applications she made.

What happened

The background to this complaint and my initial conclusions were set out in a provisional decision. I said:

Mrs F already had a loan with Barclays that was opened in April 2018 with a balance of £14,900 and repayments of £279 a month (loan 1). In August 2018 Mrs F applied for another loan with Barclays, this time for £18,100 with monthly repayments of £346.99 over a 60 month term (loan 2). Mrs F applied for another loan in December 2019 for £17,600 with repayments of £334.92 over a sixty month term (loan 3). Some of the funds from loan 3 were used to refinance the outstanding balance of loan 1. Loan 2 and Loan 3 ran concurrently.

Mrs F made her loan repayments in full and on time. Loan 3 was repaid in October 2021 with a settlement of £12,076.74. Loan 2 was repaid with a settlement of £6,329.50 in January 2022.

Last year, Mrs F complained that Barclays lent irresponsibly when it approved loan 2 and loan 3. Barclays issued a final response on 14 August 2024 and said that both loans were affordable based on Mrs F's banking history in the preceding months before each application. Barclays didn't uphold Mrs F's complaint.

An investigator at this service looked at Mrs F's complaint. They weren't persuaded that Barclays had lent irresponsibly to Mrs F and didn't uphold her complaint. Mrs F asked to appeal and made a number of points. Mrs F said she had very high overdraft use with a limit of £4,970 and was almost always overdrawn incurring regular fees. Mrs F added she had to borrow £23,000 from another business in October 2021 to refinance loan 3 and consolidate other debt shed incurred since taking it out. Mrs F pointed out that neither Barclays loan would've enabled her to consolidate all her other unsecured debts and that she was borrowing from family and friends to help make ends meet. Mrs F also provided a detailed breakdown of her income and outgoings for the months before loan 2 and loan 3's applications. Mrs F explained the figures Barclays used in its final response for her disposable income was too high and failed to reflect her circumstances before applying.

As Mrs F asked to appeal, her complaint has been passed to me to make a decision.

What I've provisionally 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.

Before agreeing to lend, the rules say Barclays had to complete reasonable and proportionate checks to ensure Mrs F could afford to repay the debt in a sustainable way. These affordability checks needed to be focused on the borrower's circumstances. The

nature of what's considered reasonable and proportionate will vary depending on various factors like:

- The amount of credit;*
- The total sum repayable and the size of regular repayments;*
- The duration of the agreement;*
- The costs of the credit; and*
- The consumer's individual circumstances.*

That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate. Lenders may choose to verify a borrower's income or obtain a more detailed picture of their circumstances by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.

Barclays hasn't supplied any copies of Mrs F's applications, the credit file results it obtained or the affordability calculations that were used when assessing loan 2 and loan 3. I note the author of the final response provided their analysis of Mrs F's bank statements for the months before each application was made. But that appears to be separate to the actual lending assessments that took place at the time. As I'm unable to say Barclays carried out reasonable or proportionate lending checks, I've reviewed the information available to get a clearer picture of Mrs F's circumstances. Mrs F's current account is with Barclays. Mrs F has forwarded bank statements for a three month period before both loan 2 and loan 3 applications were made. Barclays supplied bank statements for the months before loan 2, but none for loan 3.

I note the final response claimed Miss F had an average income of £2,708 and outgoings of £2,021 in the three months before the loan 2 application, leaving her with a disposable income of £686.57. I've carefully reviewed Mrs F's bank statements for May, June and July 2018 but wasn't able to reach the same conclusions. I found the income I'd expect Barclays to take into account for lending purposes was lower at an average of around £2,662 (accepting slightly higher salary payment in December 2018) and that her average outgoings were around £2,125 a month. But I only took payments collected by direct debit into account when reaching that figure. That means Mrs F had around £537 remaining to cover all food, fuel, general living expenses and the new Barclays loan payment of £346.99. After covering loan 2's payment each month, that would've left Mrs F with around £190 to cover the above outgoings. I note Mrs F's bank statements show she was spending a reasonable amount on train tickets each month along with food and other living expenses for her and her family.

I also think it's fair to note that Mrs F had a large overdraft facility and was almost always overdrawn, incurring substantial monthly fees for doing so. As Mrs F has pointed out, overdrafts are intended to be a reasonably short term credit option. But Mrs F has provided a charges statement that shows she was overdrawn with Barclays for 321 days out of a one year period up to August 2019. During that period, Mrs F paid a total of £900.50 in overdraft fees. Further, while Mrs F hasn't asked us to look into the decision to approve loan 1 in April 2018, I think it's reasonable to note she had taken a loan of £14,900 only four months before her August 2018 application was made.

I'm satisfied the information available shows Mrs F was already overcommitted at the point of her application to Barclays in August 2018 and unlikely to be able to sustainably afford further repayments without financial harm. And I'm satisfied Mrs F's bank statements for the preceding months show a new loan with repayments of £346.99 wasn't sustainable. In my view, Barclays lent irresponsibly when it approved loan 2 in August 2018, so I intend to tell Barclays to refund the interest, fees and charges applied.

Mrs F's credit file shows that between taking loan 2 and applying for loan 3 she took out new borrowing from various businesses. I can see Mrs F opened a credit card in December 2018 with an outstanding balance of over £3,000.

I've looked at Mrs F's bank statements for the three months before loan 3 was approved in December 2019. I note Barclays' final response makes the claim Mrs F's total outgoings were only £624.29 a month at this point but that's clearly not the case. Mrs F's existing loan payments to Barclays came to £625 on their own. The claim Mrs F had a disposable income of £1,620.93 is not reflected in her bank statements as far as I've been able to see either.

I found Mrs F received an average of £2,245 a month in pay and benefits in the three months before her application for loan 3 was made. Mrs F's outgoings varied month by month depending on childcare costs. I found an average committed expenditure of around £2,155 a month in the three months before the loan 3 application. That means, Mrs F only had around £90 remaining after meeting her regular direct debits and childcare costs. I've not made any deductions for food, transport, general living expenses or emergency expenses Mrs F may've had. And by refinancing loan 1, Mrs F's monthly payment increased by £56. I also think it's fair to note that Mrs F's current account was consistently overdrawn during this period. The only time Mrs F's account balance wasn't overdrawn was after a family member transferred £15,000 to her in October 2019. Mrs F went on to use some of those funds to clear credit card debts, but I think the fact she wasn't in a position to do that from her own funds was telling.

I haven't been persuaded Mrs F's bank statements don't show she had capacity to sustainably make increased payments to Barclays for a new loan in December 2019. In my view, Barclays lent irresponsibly when it approved Mrs F's loan 3 application in December 2019. As a result, I intend to tell Barclays to refund all interest, fees and charges applied to loan 3.

I've considered whether the business acted unfairly or unreasonably in any other way including whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed below results in fair compensation for Mrs F in the circumstances of her complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Mrs F responded to confirm she was willing to accept. We didn't hear back from Barclays.

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.

As no new information has been provided and Mrs F has confirmed her acceptance I see no reason to change the conclusions I reached in my provisional decision. I still think Mrs F's complaint should be upheld, for the same reasons.

My final decision

My decision is that I uphold Mrs F's complaint and direct Barclays Bank UK PLC to settle as follows:

Add up the total amount of money Mrs F received as a result of having been given the loan 2 in August 2018 and loan 3 in December 2019. The repayments Mrs F made should be deducted from this amount.

a) If this results in Mrs F having paid more than they received, any overpayments should be refunded along with 8% simple interest (calculated from the date the overpayments were made until the date of settlement). †

b) If any capital balance remains outstanding, then Barclays should arrange an affordable and suitable payment plan with Mrs F.

† HM Revenue & Customs requires Barclays to take off tax from this interest. Barclays must give Mrs F a certificate showing how much tax it's taken off if they ask for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs F to accept or reject my decision before 22 April 2025.

Marco Manente
Ombudsman