

The complaint

Miss C says Barclays Bank UK PLC trading as Barclaycard ('Barclaycard'), irresponsibly lent to her.

Miss C complains that Barclaycard increased the credit limit on her card without making proper checks. She was only ever paying the minimum amount and thinks that Barclaycard should have noticed this and not increased the credit limits.

What happened

This complaint is about a credit card agreement that Miss C took out in June 1996. Some of the details about the card are below:

- On 10 June 1996 the card was started with a credit limit of £350.
- On 14 June 2004 the credit limit was increased to £750.
- On 5 March 2005 the credit limit was increased to £3,000.
- On 14 March 2007 the credit limit was increased to £4,250.
- On 18 January 2008 the credit limit was increased to £5,500.
- On 18 August 2008 the credit limit was increased to £7,000.
- On 29 January 2013 the credit limit was increased to £8,500.
- On 27 August 2013 the credit limit was increased to £10,000.
- On 2 September 2014 the credit limit was increased to £11,500.
- On 1 July 2015 the credit limit was increased to £12,000.
- On 1 March 2016 the credit limit was increased to £14,000.
- On 7 November 2016, the credit limit was increased to £16,000.
- Miss C's card had been suspended in 2021 and the credit limit reduced to zero. On 24 June 2021 it was reinstated with a credit limit of £8,700.

Miss C complained to Barclaycard saying that it should not have increased her credit limit in 2016. She said she had been only making the minimum repayments to the card, for a long time before this and she was using a high level of her credit limit. She had made some payments and if Barclaycard had looked at her credit file, and payment history, it would have seen that she was in financial difficulty.

Barclaycard initially thought that it shouldn't consider this complaint as it thought that Miss C had brought it too late. Miss C didn't agree with this and brought her complaint to the Financial Ombudsman Service.

I've noted the correspondence between Barclaycard and our Investigator about the time limits and our jurisdiction. And that this complaint is not brought out of time. I'll not comment further on this other than to say I don't think this complaint was made too late.

Our Investigator, in his first opinion, upheld Miss C's complaint in part. He thought that it wasn't demonstrated that the initial lending decision and the first seven credit limit increases (that is all the lending up to 27 August 2013) were lent irresponsibly.

He thought that the eighth credit limit increase, that is to £11,500 in September 2014, was irresponsibly lent. This was because Barclaycard couldn't demonstrate that it had made proportionate check before lending. And if it had made these checks then it wouldn't have increased the credit limit or approved the subsequent credit limit increases. So, it should pay compensation on the basis that any interest or charges applied where Miss C had used these increased credit limits should be refunded. That is where she had borrowed over £10,000 from September 2014 onwards.

And in a subsequent communication our Investigator thought that Barclaycard shouldn't have lent at all in July 2021. This was because previously to this Barclaycard had suspended Miss C's card in April 2021 as she was in 'persistent debt' since October 2019. She had entered into a 'paydown plan' and the card balance was reduced to zero. The £8,700 credit limit was put in place with no checks and against the background of these problems and so it wasn't appropriate.

Barclaycard has agreed with these outcomes, and it has said it will calculate and pay redress on this basis. Miss C's card will also be closed.

Miss C doesn't entirely agree with the Investigator. She doesn't disagree that the other lending decisions were reasonable, and she said her income and expenditure meant the credit limits were appropriate up to September 2014. She agrees that Barclaycard shouldn't have approved the credit limit increase in September 2014, and it shouldn't have re-instated the card in July 2021.

But she thinks that as the lending was irresponsible in September 2014 she thinks that all the interest and charges she paid from this point onward should be refunded to her. She said that she was as in financial difficulty usage from 2016 onwards and Barclaycard was required to identify persistent debt usage from 2018. She said situation was similar in 2016 to what it was in 2021 when all of the interest and charges will be refunded

Because Miss C didn't agree, this matter has been passed to me to make 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.

There has been a significant amount of correspondence in this complaint, and I won't reproduce all of that here. This is because both parties agree with most of the outcome that that Investigator reached. I'll concentrate on the areas that are still in dispute and I won't consider all the issues raised, or the lending, that has been complained about.

With this in mind, I don't have to decide if all of the lending was affordable for Miss C. Miss C hasn't disagreed with our Investigator's opinion that Barclaycard didn't irresponsibly lend until the 2 September 2014 credit limit increase. And it's been agreed that Barclaycard shouldn't have increased Miss C's credit limit in 2014, 2015 and 2016. And it shouldn't have allowed her to start using the card again in 2021.

The remaining issue in dispute is that Miss C thinks that she should be paid different compensation for the unaffordable lending. Our Investigator said that Miss C should be paid compensation in respect of any charges or interest occurred in respect of balances over £10,000 from September 2014. Miss C thinks that she should receive a refund of all the interest and charges she paid on the full balance from this time.

I think for me to say Miss C should receive back all of the interest and charges she paid on the card from September 2014 I need to be able to say that it was likely that Barclaycard should have seen that Miss C was in financial difficulty and so it shouldn't have lent at all, or it should have suspended Miss C's card at this time.

Miss C thinks this is what should have happened, and she has explained that she was in financial difficulty, in summary she has said:

- In October 2013 she was made redundant, and her income became irregular and was significantly reduced at times.
- Her fixed expenses started to exceed her income, she started to rely on credit to cover her basic needs.
- The £10,000 credit limit was affordable before her redundancy but not afterwards.
- Barclaycard didn't act on the signs of Miss C's hardship such as she was only making the minimum card repayments.
- She thinks persistent debt was evident from 2016 and this should have been spotted by Barclaycard from 2018 onwards when the rules about this came into force.
- Miss C withdrew significant amounts of cash from the card at times. She withdrew £1,000 cash in November 2013 for essential spending. She withdrew £2,200 for personal spending in 2014 and £2,000 cash in August 2016 for the same reasons.
- She was persistently using her overdraft and exceeded her limits most notably in 2013, 2014 and 2015. She says she exceeded the limits of this 479 times between 2013 to 2017.
- She borrowed money from the card due to her business running into problems.
- She transferred the balance of £14,000 in May 2021 to another card but reborrowed from Barclaycard in October 2021, again due her business needing funding.

It's clear that Miss C was having some financial difficulties and I hope things have improved for her. But having looked at everything provided I don't think this should have led to Barclaycard not lending to her at all in 2014.

I don't have all the card statements from this time, but whilst Miss C had borrowed a significant amount, I understand she was at least making the minimum repayments at this time as Barclaycard's information shows she wasn't behind with her repayments. And Miss C has said that she withdrew significant amounts of cash so she can't have been always close to the card's limits. There aren't any other signs with the usage of the card that she was in financial difficulty.

Miss C has outlined that she went through some changes at work and with her business that led to her borrowing increasing. But I don't think all of this would have been immediately apparent to Barclaycard and, as far as I can see, Miss C didn't tell Barclaycard about it.

And even though Miss C was starting to have financial problems in 2013, I don't think it was certain until much later that she was in financial difficulty. And I've seen no other evidence that she was unable to make repayments elsewhere and had received defaults or payment agreements. Whilst her debt is significant she does, at this point and up until the card was suspended, seem, to be managing it.

Miss C did have an overdraft (with Barclays) and she did go over the limit on this at times. But this was most apparent in 2017 and 2018. And so, it is much later than the 2014 credit limit increase I am considering here.

So, I think the outcome our Investigator reached is right and Barclaycard should pay compensation on this basis. That is, it shouldn't have increased Miss C's credit limit to £11,500 in September 2014 and it should not have relented in June 2021.

Putting things right

The credit limit increases in 2014, 2015 and 2016

Barclaycard shouldn't have increased Miss C credit limit to £11,500 in 2014, So I don't think it's fair for it to charge any interest or charges on any balances which exceeded the £10,000 limit from this point on.

Miss C has had the benefit of all the money she spent on the account so I think she should pay this back. Therefore, Barclaycard should:

- Rework the account removing all interest, fees, charges, and insurances (not already refunded) that have been applied to balances above £10,000 after 2 September 2014.
- If the rework results in a credit balance, this should be refunded to Miss C along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement. Barclaycard should also remove all adverse information recorded after 2 September 2014 regarding this account from Miss C credit file.
- Or, if after the rework the outstanding balance still exceeds £10,000, Barclaycard should arrange an affordable repayment plan with Miss C for the remaining amount.
- Once Miss C has cleared the outstanding balance, any adverse information recorded after 2 September 2014 in relation to the account should be removed from their credit file.

The re-opening of the account in 2021

I don't think Barclaycard ought to have re-opened or reinstated the limit on the account, I don't think it's fair for it to be able to charge any interest or charges under the credit agreement from that point. Miss C should pay back the amounts she's borrowed. Therefore, Barclaycard should:

- Rework the account removing all interest, fees, charges, and insurances (not already refunded) that have been applied.
- If the rework results in a credit balance, this should be refunded to Miss C along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement. Barclaycard should also remove all adverse information regarding this account from Miss C's credit file.
- Or, if after the rework there is still an outstanding balance, Barclaycard should arrange an affordable repayment plan with Miss C for the remaining amount.
- Once Miss C has cleared the balance, any adverse information in relation to the account should be removed from their credit file.

*If Barclaycard thinks that HM Revenue & Customs requires Barclaycard to take off tax from this interest then it must give Miss C information showing how much tax it's taken off if she asks for this.

My final decision

For the reasons I've explained, I partly uphold Miss C's complaint.

Barclays Bank UK PLC should put things right by doing what I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 5 June 2025.

Andy Burlinson
Ombudsman