

The complaint

Mrs W says Barclays Bank UK PLC lent to her irresponsibly.

What happened

Mrs W has been a customer of Barclays since the 1990's. Over the course of her relationship with it, she has had up to 28 loans. Due to the time elapsed, we only have details of 16 and some of those details are sparse. After discussions about our jurisdiction, Barclays has accepted we have the power to look into the complaint about all the loans.

Loan No.	Date opened	Amount	Repayment	Term	Closure date
1	25 January 2000	£1,200	£82.85	Unknown	5 July 2000
2	7 August 2000	£13,000	£493.11	Unknown	5 December 2000
3	5 December 2000	£12,500	£331.09	Unknown	3 March 2003
4	17 June 2003	£2,000	£65.39	Unknown	30 June 2003
5	30 June 2003	£4,000	£128.00	Unknown	1 September 2003
6	30 August 2003	£7,600	£232.37	Unknown	27 April 2004
7	26 April 2004	£7,500	£258.08	Unknown	25 October 2004
8	9 October 2012	£5,400	£492.18	12 months	18 October 2012
9	4 April 2014	£10,000	£188.41	60 months	4 April 2016
10	25 March 2016	£16,500	£384.15	48 months	8 August 2016
11	8 August 2016	£29,400	£583.08	60 months	3 April 2017
12	3 April 2017	£30,800	£632.17	60 months	22 August 2017
13	22 August 2017	£32,700	£671.77	60 months	22 May 2018
14	22 May 2018	£32,600	£670.49	60 months	16 May 2019
15	16 May 2019	£35,000	£689.33	60 months	4 November 2021
16	4 November 2021	£35,000	£702.15	60 months	Still open

On 13 November 2023, Mrs W complained to Barclays. She said it had been irresponsible for it to agree many of the loans. She said she had been overdrawn on her current account at the time of some, and often had other loans and credit cards elsewhere. In particular, Mrs W said the later loans (9-16 above) were irresponsible as each loan repaid the previous one and the debt went from £10,000 to £35,000. She says she used the loans to live on, subsidising her expenses.

Mrs W said if proper income and expenditure checks had been done, the bank would have seen she couldn't afford the loans. She has ended up borrowing from other banks and family and friends to ensure she could meet the repayments and her living expenses. Mrs W asked Barclays to refund the charges and interest she has paid and include statutory interest.

Barclays looked into Mrs W's complaint and issued a final response. It said that many of the loans (those more than six years before she'd complained) had been taken too long ago for it to consider under the complaint handling rules set by the Financial Conduct Authority (FCA). But it looked into her concerns about the later loans. Barclays said it was confident they were affordable for Mrs W at the time they were taken and didn't uphold her complaint.

Mrs W didn't accept Barclays response and referred the complaint to our service. Following our involvement, the bank accepted that Mrs W had raised her complaint within the relevant timeframes set by the FCA.

One of our investigators looked into the complaint and upheld it in part. He said Loans 1-11 had been lent reasonably. But from Loan 12 onwards, he said the bank ought to have noticed the regularity with which Mrs W was refinancing her loans. He said this is a potential sign of financial difficulties and the bank should have done more to establish if the loan was affordable for her. He felt that if it had done so, it should have refused to lend to her. Our investigator explained how he felt Barclays should put matters right for Mrs W.

Mrs W acknowledged our investigators view of the complaint – I've taken that as her acceptance of it. But Barclays rejected it and reiterated that the loans appeared affordable based on Mrs W's income and expenditure. It said her loans hadn't been considered to fall foul of its "Frequent Top Up" controls which would have led to the loans being referred for manual underwriting. As such, it felt it had lent responsibly.

As there was no agreement, the complaint has been referred to me for a 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.

We've set out our approach to complaints about irresponsible and unaffordable lending on our website – including the key relevant rules, guidance, good industry practice and law. I've considered this approach when deciding this complaint.

Barclays needed to carry out reasonable and proportionate checks to ensure that it didn't lend to Mrs W irresponsibly. I think there are key questions I need to consider in order to decide what is fair and reasonable in the circumstances of this complaint:

- Did Barclays carry out reasonable and proportionate checks to satisfy itself that Mrs W was in a position to sustainably repay the loans?
 - If not, what would reasonable and proportionate checks have shown at the time?
 - Did Barclays make fair lending decisions?
- Did Barclays act unfairly or unreasonably towards Mrs W in some other way?

Barclays had to carry out reasonable and proportionate checks to satisfy itself that Mrs W would be able to repay the loans sustainably. It's not about the bank assessing the likelihood of it being repaid, but it had to consider the impact of the loan repayments on her.

There is no set list of checks that it had to do, but it could take into account several different things such as the amount and length of the loan, the amount of the monthly repayments and the overall circumstances of the borrower.

As I've said above, our investigator felt loans 1-11 had been lent responsibly and has explained that to each party to the complaint. I agree with that view, and I note that Mrs W appears to have accepted it too. I don't therefore propose to discuss those loans in great detail further as they are no longer in dispute, so I'll instead focus mainly on the later loans.

The rules lenders must follow are set out by the industry regulator, the FCA, in its Consumer Credit Sourcebook (CONC). CONC 6.7.19 says "*A firm must not refinance a customer's*

existing credit with the firm...unless...the firm reasonably believes that it is not against the customer's best interests to do so". In other words, it must only agree to refinance if it believes it is not to the detriment of the customer to do so.

Looking at the table on page one of this decision, there is an 18-month gap between Loan 8 being repaid shortly after it was drawn, and Loan 9 being opened. Mrs W has highlighted Loan 9 onwards in her complaint as the period when her debt with the bank went from £10,000 to £35,000.

Mrs W's debt quickly escalated from £10,000 with an interest rate of 4.9% in April 2014 to £29,400 with an interest rate of 7.9% in August 2016 – in just over two years. The main purpose of Loans 10 and 11 was to refinance the earlier loan but with extra finance for a van and home improvements respectively. So they did increase her indebtedness significantly and within a short space of time – she'd made just four payments to Loan 10 before applying for Loan 11. As the cost of borrowing – the interest rate – had increased significantly too.

I think Barclays ought to have seen that a trend of refinancing was beginning and while these loans appeared affordable and the purposes were understandable, perhaps been on notice to take a closer look should a further refinance loan request come in.

Loan 12

Did Barclays carry out reasonable and proportionate checks?

Barclays has explained it would have carried out its usual checks before agreeing to the loan which have included an income and expenditure assessment as well as a check of Mrs W's credit file and other data. Due to the time elapsed, it has been unable to provide evidence of its full assessment. I don't find that surprising as banks are not required to hold records indefinitely.

Barclays has been able to provide the income and expenditure assessment it carried out at the time. This showed it considered a monthly income of £3,375 and calculated a monthly disposable income after the loan repayment of £1,092.89. So, on a pounds and pence basis, I can see why it thought the loan would be affordable. But in order to be a reasonable and proportionate check - especially for such a large loan - a creditworthiness assessment isn't just about the pounds and pence in a budget, but a lender must consider whether a customer can manage to repay what they've borrowed on a sustainable basis - that is from their usual income without the need to borrow further.

Barclays hasn't been able to provide all the information it found during its assessment of Mrs W's application, so I can't fairly conclude the checks were reasonable and proportionate.

In this case, as I've mentioned, I agree that on paper it appeared Mrs W could sustainably afford the loan. But her history with the bank told a slightly different story.

As I've mentioned above, this is the third time she had applied to refinance her loan in just a few days over 12 months. Her indebtedness had tripled in that time and her repayments had increased from £188 to £632 per month. It seems to me that Mrs W was having to borrow more money through refinancing her loans in order to meet the increased payments; in other words, she wasn't able to sustainably meet the repayments on the earlier loans.

And looking at her current account for three months or so before the application, there was no sign that she had a disposable income of over £1,000 as the budget suggested. Her income was considerably less than the £3,300 quoted – around £2,900 – and there is nothing to suggest she had the level of disposable income the bank calculated.

I do understand that Barclays uses an automated assessment to consider applications for many loans and this is in line with many other financial businesses. It has said Mrs W's circumstances didn't fall within its frequent top up rules and explained the trigger points which would have led to a manual review of her application. I acknowledge that this is the case here, albeit only by a few days. But my role is to consider the evidence I have to hand and base my decision on what I consider to be fair and reasonable. I'm not persuaded that it's reasonable to rely solely on an automated process to justify actions which have caused detriment to consumer.

I can see that Mrs W was regularly refinancing her loans and increasing her repayments and indebtedness, and she didn't have the disposable income it appeared she might on the budget plan. On that basis, I don't think Barclays reached a fair decision to agree Loan 12 for her. It follows that I don't think it should have agreed the subsequent loans for her either for the same reasons.

Did Barclays act unfairly or unreasonably towards Mrs W in some other way?

I've carefully read and considered the evidence provided by both Mrs W and Barclays and I don't think the bank has treated her unfairly in any other way.

Putting things right

I don't think Barclays should have provided Mrs W with Loans 12-16, so I don't think it's fair for it to benefit through interest or charges for these loans. However, Mrs W has had the benefit of the loan funds, so I think she should pay these back. Therefore, Barclays should:

- Add up the total amount of money Mrs W received as a result of having been given Loans 12-16. The repayments she has made should be deducted from this amount.
- If this results in Mrs W having paid more than she received, any overpayments should be refunded to her along with 8% simple interest per year* calculated from the date the overpayments were made until the date of settlement.
- Barclays Bank should also remove all adverse information regarding these accounts from Mrs W's credit file.
- If after the re-work any capital balance remains outstanding, then Barclays should arrange an affordable and suitable repayment plan with Mrs W for this amount. Once the balance is cleared, any adverse information in relation to the account should be removed from her credit file.

*HM Revenue & Customs requires Barclays to deduct tax from any award of interest. It must give Mrs W a certificate showing how much tax has been taken off if she asks for one.

My final decision

My final decision is that I uphold this complaint. Barclays Bank UK PLC should put matters right as I've set out above.

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

Richard Hale
Ombudsman