

The complaint

Mr Q complains that Barclays acted irresponsibly when it authorised and increased his overdraft limit and that it failed to spot signs of his financial difficulties.

What happened

Mr Q has had a bank account with Barclays since July 2010. In February 2018 Mr Q applied for and was granted an overdraft facility with a limit of £800. In February 2019 the limit increased to £1,200 where it remained.

In January 2024 Mr Q complained to Barclays that it had been irresponsible when it approved his overdraft and limit increase and failed to assess patterns of debt and borrowing.

On 22 February 2024 Barclays issued Mr Q with a final response letter ("FRL"). Within the FRL, Barclays explained how it had assessed the affordability of the original overdraft limit and subsequent increase and to say that it didn't consider it had lent irresponsibly.

Unhappy with the response from Barclays, in July 2024 Mr Q brought his complaint to us.

Mr Q's complaint was considered by two of our investigators who both concluded that although Barclays weren't irresponsible in initially approving and then subsequently increasing Mr Q's overdraft limit, it had failed to recognise and act appropriately on signs of financial difficulty.

Barclays didn't accept the investigator's view, so Mr Q's complaint has been passed to me for review and 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.

Having done so, I can confirm that I've reached the same conclusion as both investigators and for broadly the same reasons.

I'm aware that I've summarised this complaint above in less detail than it may merit. No discourtesy is intended by this. Instead, I've focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

If there's something I've not mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome. I will, however, refer to those crucial aspects which impact my decision.

Lastly, I would add that where the information I've got is incomplete, unclear or contradictory, I've to base my decision on the balance of probabilities.

Did Barclays conduct proportionate checks prior to making its lending decisions?

Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

So before agreeing to grant both overdraft limits (£800 and £1,200), Barclays needed to undertake proportionate checks to determine whether those limits were affordable and sustainable for Mr Q. There isn't a prescribed list of checks a lender should make. But the kind of things I expect lenders to consider include – but aren't limited to – the type and amount of credit, the borrower's income and credit history, the amount and frequency of repayments, as well as the consumer's personal circumstances. And it's important to note that an overdraft is designed for short term borrowing. I'd also expect Barclays to think about Mr Q's ability to repay the whole borrowing in a reasonable period.

Barclays told us that it no longer has the application details regarding the first overdraft limit of £800 it granted in February 2018. Banks aren't required to keep records for more than six years and so I've gone on to look at what Barclays would have seen from the statements that have been provided. The earliest statement I've seen is for January 2018, a month before the first limit was granted. I can see that the account was well maintained and with an income going in. So on balance, I can't say Barclays was irresponsible in granting this facility.

Barclays hasn't provided us with the raw data from the credit checks it conducted for the February 2019 credit limit increase to £1,200 but I've seen the information Mr Q provided and which Barclays is likely to have relied on in assessing the affordability of this increase. I can see Mr Q's income and incoming payments were around £2,455 and that after his expenditure, he was left with a disposable income of around £522.

I can see that up until the 2019 increase to £1,200 Mr Q's account was in the main well maintained and so on balance, from the information I've seen, I can't say Barclays was irresponsible in granting this increased facility.

Barclays's responsibility to monitor Mr Q's overdraft usage

As well as needing to act responsibly when deciding to grant Mr Q with both overdraft facilities, Barclays also needed to monitor and review his overdraft usage. And where it identified a pattern of repeat usage, as with Mr Q's account, it needed to take steps to try and reduce it.

And on balance, I'm satisfied Barclays did this when it sent Mr Q a repeat usage letter dated 7 June 2023. But where financial difficulty is identified, banks need to take a more proactive approach. And I think Barclays should have gone further at this point as I consider that Mr Q

was showing signs of financial difficulty at this stage. I say this as Mr Q wasn't only constantly near the upper limit of his agreed limit, but there were also times he exceeded it which caused direct debits to be returned unpaid. And from June 2023 onwards, Mr Q's account was on the whole, persistently overdrawn without returning to credit except for a few days a month. There was also a significant decrease in his income and incoming payments to his account since February 2019.

And I think Barclays should have realised this if they had looked closer at Mr Q's account at the next annual review in February 2024 and noted that Mr Q was reliant on hardcore borrowing and that the overdraft wasn't sustainable at that point.

Barclays told us that it sent a further repeat usage letter on 5 December 2024 but it didn't consider that Mr Q at that time was showing signs of financial difficulty but I disagree for the reasons I've already highlighted. Barclays also told us there was evidence of non-essential spending on Mr Q's account and made comparisons to a similar decision albeit, one which was also upheld by us. Barclays will know that we consider each case on its own facts and merits and it's not for us or the banks to tell customers how they choose to spend their money.

So I don't think Barclays acted fairly when it failed to take further appropriate action to reach out to Mr Q at the time of the annual review in February 2024.

Did Barclays act unfairly in any other way?

I've also considered whether Barclays have acted unfairly or unreasonably in any other way and if an unfair relationship existed between Barclays and Mr Q, as defined by section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I've directed above results in fair compensation for Mr Q in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Putting things right

Barclays should:

- Re-work Mr Q's current overdraft balance so that any additional interest, fees and charges applied from February 2024 onwards are removed.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made, Barclays should contact Mr Q to arrange a suitable repayment plan for this. If it considers it appropriate to record negative information on Mr Q's credit file, it should backdate this to February 2024.

OR

- If the effect of removing all interest, fees and charges results in there no longer being an outstanding balance, then any extra should be treated as overpayments and returned to Mr Q, along with 8% simple interest (yearly) on the overpayments from the date they were made (if they were) until the date of the settlement. If no outstanding balance remains after all adjustments have been made, then Barclays should remove any adverse information from Mr Q's credit file.*

*HM Revenue & Customs requires Barclays to take off tax from this interest. Barclays must give Mr Q a certificate showing how much tax it's taken off if he asks for one.

My final decision

My final decision is that I uphold this complaint. Barclays Bank UK PLC should take the actions set out above in resolution of this complaint.

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

Paul Hamber
Ombudsman