DRN-5596425

The complaint

Mr S complains that Barclays Bank UK PLC trading as Barclaycard lent to him irresponsibly.

What happened

On 16 January 2018, Mr S opened a credit card with Barclaycard with a credit limit of £5,900 which was later increased as follows:

Date	Event	New Limit
January 2019	Credit limit increase (CLI) CLI1	£8,850
December 2019	CLI2	£11,850
September 2020	Credit limit decrease (CLD) CLD1	£8,950
October 2021	CLD2	£8,700

Mr S fell into difficulty with the account and stopped making payments to it in May 2022. The account was sold to a third-party debt collector in November that year.

On 24 January 2024, Mr S complained to Barclaycard. He said it had kept increasing his credit limit causing the card to become unaffordable. He said if it had carried out a proper credit search it would have seen he had debt elsewhere.

Barclaycard looked into Mr S's complaint and said he had complained more than six years after the account had been opened. This meant it was too late for him to complain about the account opening under the complaint handling rules of the Financial Conduct Authority (FCA). But Barclaycard considered his complaint about the credit limit increases. It felt it hadn't acted unfairly by offering and implementing them. It didn't uphold Mr S's complaint.

Mr S was unhappy with Barclaycard's response, so he referred his complaint to our service. One of our investigators looked into it and explained to both parties why he felt we couldn't look into the account opening. While his rationale was different from that of Barclaycard, both parties accepted what he said, so our investigator went on to look into the credit limit increases. He felt Barclaycard ought to have carried out further checks than it did before increasing Mr S's limits, but said that if it had done more, it would still have offered the increases. He didn't uphold the complaint.

Mr S didn't accept our investigator's view of the complaint, so it has been passed 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.

For the sake of completeness, I agree with our investigator's view on our jurisdiction which means that we don't have the power to look into Mr S's complaint about the opening of the account. As both parties accepted what he said about that, I won't comment further. But there is no dispute that we can look into both credit limit increases as Mr S complained to

Barclaycard within six years of those taking place.

That said, I'll not comment on CLI2 - when Barclaycard increased Mr S's limit to £11,850. While his limit was at that level, Mr S's balance didn't exceed £8,600, so he stayed within the previous credit limit of £8,850. That being so, he's not suffered any detriment as a result of CLI2. But he did use CLI1, so I will focus the remainder of this decision on that limit increase.

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.

Barclaycard needed to carry out reasonable and proportionate checks to ensure that it didn't lend to Mr S 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 Barclaycard carry out reasonable and proportionate checks to satisfy itself that Mr S was in a position to sustainably repay the credit?
- If not, what would reasonable and proportionate checks have shown at the time?
- Did Barclaycard make a fair lending decision?
- Did Barclaycard act unfairly or unreasonably towards Mr S in some other way?

Barclaycard had to carry out reasonable and proportionate checks to satisfy itself that Mr S would be able to repay the credit sustainably. It's not about Barclaycard assessing the likelihood of it being repaid, but it had to consider the impact of the repayments on him. 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 of credit, the amount of the monthly repayments and the overall circumstances of the borrower.

Did Barclaycard carry out reasonable and proportionate checks?

CLI1 to £8,850

Barclaycard gathered information from a credit reference agency including details of his commitments elsewhere and, in line with many other lenders, used statistical information to estimate his expenditure. At the time of this increase, Mr S's credit report showed he had around £17,000 of credit elsewhere and it was all up to date.

Barclaycard also considered his account performance with it which showed the account was well run, he'd had an average balance of £2,500 (ranging from £150 to £4,950 against the credit limit of £5,900). The highest balance reached had been for one month only and eight months before this increase. He regularly paid more than the minimum payment and incurred no late payment fees.

Barclaycard wrote to Mr S to offer the increase in his limit from £5,900 to £8,850 and said it would be applied automatically unless he told it he didn't want the increase. As there was no contact, the limit was increased. But as this was a significant increase – especially compared to his income of £26,500 - I would have expected Barclaycard to take a more detailed look at Mr S's expenditure rather than simply relying on statistical information. I don't think the checks it carried out were reasonable and proportionate in the circumstances.

What would reasonable and proportionate checks have shown at the time?

As I've mentioned, lenders must satisfy themselves that any credit given will be repayable by the consumer on a sustainable basis. That is, they should be able to do so from their income or savings without having to borrow further or experiencing financial difficulties. While there is no set list of checks a business must carry out before lending to a consumer, a good way of gaining a detailed picture of a consumer's financial circumstances is to review their bank statements for a few months prior to any lending.

Our investigator asked Mr S for three months bank statements for his current account prior to the CLI1 – that is from October to December 2018. I've looked at these statements carefully and can see the account appears to be a joint account with Mr S's wife. Both incomes are received into the account and the usual household bills etc., are paid from there. The statements also show that Mr S had other accounts with the same bank and the balances of those.

The account was a 'basic bank account' which meant it wasn't able to go overdrawn and it therefore ran exclusively in credit. There was the occasional small direct debit unpaid just before one of the paydays, but I note there was generally money available on another account which could have covered those. So, I don't think this was necessarily an indication of financial difficulties.

The income into the account was more than sufficient to cover the day-to-day essential bills, credit commitments and the increased payment due to Barclaycard as a result of CLI1 were he to use the entire limit. It left approximately £700 a month disposable income.

So I think even if Barclaycard had taken a closer look at Mr S's expenditure, it would be more likely than not that it would have felt he could reasonably afford the increase. I think it reached a fair decision to lend.

<u>Did Barclaycard act unfairly or unreasonably in some other way?</u>

I've carefully read and considered everything that Mr S and Barclaycard have said and provided in this complaint. Having done so, I've not seen anything which suggests Barclaycard treated Mr S unfairly in some other way.

Finally, I've thought about whether considering this complaint more broadly as a complaint about an unfair relationship would lead to a different outcome. Having done so, I don't think it would.

In the context of this complaint, the law relating to unfair relationships is described in Section 140A of the Consumer Credit Act 1974 (Section 140). It says a court may make an order under Section 140 if it determines a relationship between the creditor and the debtor is unfair. The consumer is the debtor and Section 140 defines the creditor as *"the person to whom his rights and duties under the agreement have passed by assignment or operation of law."*

So where a debt has been sold, it follows that the debt purchaser is now the creditor for the purpose of the credit agreement. So a claim about an unfair relationship can't be brought by the consumer against the original lender as they are no longer the creditor.

My final decision

My final decision is that I don't 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 15 July 2025.

Richard Hale
Ombudsman