

## **The complaint**

Mr H complains that a loan that was made to him by Barclays Bank UK PLC was unaffordable for him.

## **What happened**

Mr H applied to Barclays Bank for a £50,000 loan in December 2024. His application was accepted and Mr H entered into a fixed sum loan agreement with Barclays Bank for a loan of £50,000. Mr H agreed to repay the loan by 84 monthly payments of £828.10. Mr H didn't make all of the loan repayments and he lost money in a scam, so his account went into arrears, and Barclays Bank sold the debt to a third party.

Mr H complained to this service about Barclays Bank's response to the scam and, as part of that complaint, he said that the loan was unaffordable. The investigator who considered Mr H's complaint about the scam recommended that it should be upheld, Barclays Bank accepted that recommendation and the complaint has been closed. A separate complaint was set up about the unaffordability of the loan and this service provided Barclays Bank with details of that complaint.

It didn't uphold Mr H's complaint and said that, as part of its investigation, it had completed an income and expenditure assessment for the three months leading up to the application for the loan, utilising the information on its systems and within the statements for Mr H's account. It said that Mr H had an average monthly disposable income of £2,192.06 so a monthly loan repayment of £828.10 was affordable.

Mr H's complaint was then looked at by another of this service's investigators who, having considered everything, didn't think that Barclays Bank had acted fairly. He wasn't persuaded that the checks that Barclays Bank completed were proportionate for the amount of borrowing. He said that, if Barclays Bank had performed the necessary checks, it would've seen that Mr H was subsidising his outgoings using his savings and that there was sufficient evidence to be able to make a decision to uphold his complaint. As he didn't think that Barclays Bank ought to have opened the account, he didn't think that it was fair for it to be able to charge any interest or charges under the loan agreement but he thought that Mr H should pay back the amount that he'd borrowed. He set out the way that he recommended that that should be achieved.

Barclays Bank didn't accept the investigator's recommendation and maintains that the complaint shouldn't be upheld so I've been asked to issue a decision on this complaint. It has provided detailed responses to the investigator's recommendation and says, in summary and amongst other things, that it can evidence the following: an application form completed by Mr H, declaring income, employment, and expenditure; credit file results obtained at the time, showing no recent arrears, defaults, or adverse markers; an affordability assessment using Mr H's declared income and expenditure against repayment obligations, confirming affordability; loan term and repayment ratios showing that the monthly repayment was within an acceptable percentage of disposable income; and consistency of process as the same affordability assessment has been applied as with all other customers in similar circumstances.

Barclays Bank also said that it considers that: all proportionate checks were completed at the time of lending; the higher loan amount was supported by Mr H's declared financial position and credit history; additional intrusive checks would have been inconsistent with its procedures and potentially unfair; and the decision was fair, reasonable, and in line with regulatory expectations at the time.

### **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.

Barclays Bank was required to make reasonable and proportionate checks to ensure that the loan was sustainably affordable for Mr H. Mr H applied to it in December 2024 for a £50,000 loan and he completed an application form in which he provided information about his income, employment, and expenditure. Barclays Bank says that Mr H declared a monthly income of £4,990 which it validated using allowable income from salary and allowable transfers which didn't raise any concerns with its assessment of his income. It says that it searched Mr H's credit file which showed no recent arrears, defaults, or adverse markers.

Barclays Bank says that Mr H declared £0 for dependents and, if he was obligated to pay maintenance to an ex-spouse, he should have declared that in the assessment. It says that he declared £200 for his share of housing costs and that he also declared that he owned the property outright. It says that, despite the information that Mr H had provided, it used £1,237 for housing costs but says that from looking through his account statements it can see that Mr H has vastly understated his housing commitments.

It says that it assessed Mr H's unsecured lending commitments using the balance on the bureau and considered the monthly amount should he repay it within 24 payments. Its affordability assessment also included £132 for council tax, £111 for utilities, £688 for other expenditure and an income buffer of £100. It calculated that Mr H had a monthly disposable income of £1,890.60 so concluded that he could afford a loan with a monthly repayment of £828.10. Barclays Bank says that its loan term and repayment ratios showed that the monthly repayment was within an acceptable percentage of disposable income and that it used the same affordability assessment that it uses with all other customers in similar circumstances.

This was an unsecured personal loan of £50,000, which I consider to be a large amount for a bank to lend to an individual without any security being provided, and Mr H was agreeing to make a significant payment of £828.10 each month for seven years. I consider that reasonable and proportionate checks for such a loan would have required Barclays Bank to have obtained a detailed understanding of Mr H's financial situation to ensure that the loan was sustainably affordable for him before it decided to lend to him. I don't consider that the checks that Barclays Bank made were reasonable and proportionate for the loan that it was making to Mr H.

It would be for Barclays Bank to decide how it obtained a detailed understanding of Mr H's financial situation, but I consider that it should have obtained detailed information about his income and expenditure and shouldn't have relied on estimated expenditure information obtained from other sources. Mr H had a bank account with Barclays Bank and one way for it to have detailed obtained information about his income and expenditure would be to have looked at his bank statements.

If it had done so, I consider that it would have seen that Mr H was spending more than his monthly income on his mortgage, dependents and credit commitments each month and that he was subsidising his income from other sources. It would also have seen that the month-

end balances of his account in September, October and November 2024 were £754.12, £44.88 and an overdrawn amount of £394.57. It's clear that Mr H had given Barclays Bank incorrect information about his mortgage and dependents, but I consider that reasonable and proportionate checks would have given it the correct information.

If Barclays Bank had obtained a detailed understanding of Mr H's financial situation, I consider it to be more likely than not that it would have concluded that the loan wasn't sustainably affordable for Mr H and that it wouldn't have made the loan to him. Mr H didn't make all of the loan payments and he lost money in a scam, so his account went into arrears, and Barclays Bank sold the debt to a third party.

As I don't consider that Barclays Bank should have made the loan to Mr H, I consider that it isn't fair or reasonable for it have charged any interest or fees under the loan agreement. Mr H received the loan amount of £50,000 from Barclays Bank and I consider that it's fair and reasonable that he should repay that amount to it. I find that it would be fair and reasonable for Barclays Bank to take the actions described below to put things right.

I've also considered whether Barclays Bank acted unfairly or unreasonably in some other way, including whether its relationship with Mr H might have been unfair under section 140A of the Consumer Credit Act 1974. As I'm upholding Mr H's complaint for the reasons given above, I don't consider that I need to make a finding on that. I consider that the actions that I've described below result in fair compensation for Mr H in the circumstances of this complaint and I'm not persuaded that it would be fair or reasonable for me to require Barclays Bank to take any actions other than as described below.

### **Putting things right**

I find that it would be fair and reasonable in these circumstances for Barclays Bank to:

- arrange to either buy back the debt from the third party to which it was sold or liaise with the third party to ensure that the actions described below are carried out; and
- calculate the total repayments that Mr H has made under the loan agreement and the total amount that Mr H received from it under the loan agreement;
- if, as seems likely, the total amount that Mr H received is more than the total repayments that he made, Barclays Bank should arrange an affordable repayment arrangement with Mr H for the difference between those two amounts and, when Mr H has fully repaid that amount, it should ensure that any adverse information about the loan agreement that it's reported to the credit reference agencies is removed from Mr H's credit file;
- if the total amount that Mr H received is less than the total repayments that he made, Barclays Bank should refund the difference between those two amounts to Mr H, with interest, and ensure that any adverse information about the loan agreement that it's reported to the credit reference agencies is removed from Mr H's credit file.

Any interest should be calculated at an annual rate of 8% simple from the date of payment to the date of settlement. HM Revenue & Customs requires Barclays Bank to deduct tax from any interest payment so Barclays Bank must give Mr H a certificate showing how much tax it's deducted if he asks it for one.

### **My final decision**

My decision is that I uphold Mr H's complaint and I order Barclays Bank PLC to take the actions described above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 22 October 2025.

Jarrold Hastings  
**Ombudsman**