

The complaint

Mr H complains that Barclays Bank UK PLC lent to him irresponsibly.

What happened

In September 2012, an overdraft of £200 was added to Mr H's Student Account. It was increased to £400 in July 2013 and £900 in December 2013. It remained at that level since. As the overdraft was on student terms, it was interest free. In December 2022, Barclays wrote to Mr H explaining that from March 2023, his account would move to standard terms so charges and interest would apply.

On 10 June 2025, Mr H complained to Barclays. He said the overdraft had been agreed with no credit checks. He told Barclays *"I am complaining about this period after, when you started to charge fees. I believe this overdraft was the catalyst for my financial struggles from that date until now"*. He said *"I am complaining that every year since 2009 you have failed to notice my difficulty during the annual reviews of my overdraft. You should have offered forbearance eg by stopping interest and charges being added. I was allowed to increase my overdraft several times"*. He said Barclays should never have offered him an overdraft.

To resolve his complaint, Mr H said *"I would like [Barclays] to refund all the interest and charges that were added to my account from the instance I moved from a student overdraft to a regular one"* and for the limit to be removed with no impact on his balance. He also requested compensation for *"the impact [Barclays] had on [his] mental health for 15+ years"*.

Barclays considered Mr H's complaint, but said he had brought it too late under the rules of the Financial Conduct Authority (FCA) because more than six years had passed since the lending decision was taken.

Mr H didn't accept what Barclays said, so he referred his complaint to our service. One of our investigators looked into it. She didn't agree with Barclays that the complaint was outside our jurisdiction as she felt it would be reasonable to consider it as being about an unfair credit relationship as described in Section 140A of the Consumer Credit Act 1974 (s.140). She said on that basis we could consider Mr H's complaint and went on to do so.

Our investigator said she noted Mr H had, at times, been reliant on the overdraft but there was no detriment caused to him prior to March 2023 when the bank began to charge interest on the account. She said that since March 2023 however, Barclays had a duty to ensure the overdraft was affordable for Mr H and, after reviewing the statements for the account, she didn't think it was. Our investigator upheld the complaint and asked Barclays to put things right by (in short) reworking the account to remove interest and charges from March 2023 onwards, adding interest to any overpayment or agreeing a repayment plan for any outstanding balance.

Neither Mr H nor Barclays accepted the investigator's view.

Mr H said (in summary):

- Barclays hadn't performed proportionate affordability checks when it agreed the overdraft which led to a cycle of over reliance on borrowing;
- There had been no support or proactive communication from 2013-2023 breaching FCA principles of treating vulnerable customer's fairly;
- The interest free period was not a benefit but evidence of a failure to monitor his account;
- He suffers with a neurodevelopmental disorder which is recognised as a disability under the Equality Act 2010. He says Barclays was aware of this but failed to make reasonable adjustments for it, exacerbating the distress and inconvenience he suffered.
- He requested a refund of all charges and interest paid since 2012, any adverse information to be removed from his credit file and £1,500 to £2,000 compensation for distress and inconvenience.

Mr H provided further evidence such as a bank statement showing seven payday loans in 2012, a history of returned direct debits and his neurodevelopmental disorder diagnosis.

Barclays said (in summary):

- While the account was fee free, it would not be expected to contact Mr H about overdraft usage;
- In line with the regulations, it identified Mr H as having a pattern of repeat use but didn't categorise him as showing signs of actual or potential financial difficulties. It wrote to him from June 2023 highlighting his use of the overdraft and suggested he consider whether it was resulting in high avoidable costs. It continued to write to him every six months.
- Mr H was receiving regular income into his other account and "*it was not unreasonable to think that he could repay the account within 12 months*".

As there was no agreement, the complaint 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.

There are time limits for referring a complaint to the Financial Ombudsman Service, and Barclays thinks this complaint was referred to us too late. Our investigator explained why she didn't, as a starting point, think we could look at a complaint about the lending decisions that happened more than six years before the complaint was made. But she also explained why it was reasonable to interpret the complaint as being about an unfair relationship as described in s.140, and why this complaint about an allegedly unfair lending relationship had been referred to us in time.

For the avoidance of doubt, I agree with our investigator that I have the power to look at the complaint on this basis. I think this complaint can reasonably be considered as being about an unfair relationship as Mr H says the overdraft simply made his situation worse. This may have made the relationship unfair if he had to pay more in interest than he could afford and was unable to reduce the debt.

However, Barclays still doesn't agree we can look at the early part of this complaint. Mr H has agreed that we can restrict consideration of it to the last six years (from 10 June 2019) in order enable us to continue without further delay.

For the purposes of this complaint, I have not considered s.140. I am focussing solely on Barclays acts or omissions within six years of Mr H raising his complaint. Barclays has acknowledged that we have the power to look at the subject matter of the complaint from 10 June 2019 onwards. I won't comment on the agreement of the overdraft or any lack of communication or support prior to 10 June 2019.

What the regulations say

Since 2014, the rules lenders must follow regarding the monitoring of overdraft usage have been set out in the Handbook of the FCA, specifically in the Consumer Credit sourcebook (CONC).

CONC 6.7.2R said lenders *"must monitor a customer's repayment record and take appropriate action where there are signs of actual or possible repayment difficulties."* CONC 6.7.3R said the appropriate action should generally include *"notifying the customer of the risk of escalating debt, additional interest or charges and of potential financial difficulties"*.

From December 2019, CONC 5D.2.1 replaced CONC 6.7, and brought in further requirements to identify customers who showed a pattern of repeat use of an overdraft facility and for whom *"there are signs of actual or potential financial difficulties"*. CONC 5D.2.3 says *"factors which may be a sign of actual or potential financial difficulties include..."*

- *one or more of the matters set out in CONC 1.3.1...*
- *use of other products which may indicate a fall in disposable income or growing indebtedness...*
- *the incidence of refused payments in relation to the personal current account..."*
[there are other factors which may also be considered.]

CONC 1.3.1 provides guidance on possible indicators that *"may indicate that a customer is in financial difficulties"*. These include (but are not limited to):

- inability to meet repayments out of disposable income or at all, for example, where there is evidence of non-payment of essential bills (such as utility bills), the customer having to borrow further to repay existing debts...;
- consecutively failing to meet repayments when due;
- agreement to a debt management plan or other debt solution.

CONC 5D.3.2 sets out various interventions a business should take if it identifies a customer with repeat use of an overdraft and there are signs of actual or potential financial difficulties. These include (but are not limited to) interventions starting with simply communicating with the customer for them to consider whether their use of the overdraft is resulting in high avoidable costs, to the possible suspension, removal or reduction in the limit.

Monitoring of the overdraft – did Barclays act in line with the regulations?

I've looked carefully at Mr H's statements for this account and his savings account since June 2019, as well as a basic bank account he opened in September 2019.

Since then, there have been numerous unpaid items from Mr H's account to businesses and organisations such as HMRC, utility and communications suppliers, a council, insurance companies, other creditors and debt collectors – often in consecutive months. The statements also show some payday lending type activity. In my view, this shows an inability to meet payments out of his disposable income and that Mr H appeared to be borrowing further to try to make ends meet.

He has several regular payments leaving the account for various amounts to different debt collectors. So it's evident that Mr H has struggled to meet repayments to other creditors in the past and has entered into repayment agreements with the debt collectors. On occasions these repayments - some for as little as £1 – are unpaid from the account.

Barclays has said that Mr H's income was paid into his other account and "*it was not unreasonable to think that he could repay the account within 12 months*". It is correct to say that his main income was being paid into his basic current account from October 2022, but there was rarely enough money on the account to cover the unpaid items from the overdrawn account. Furthermore, it is evident that Mr H received income from a number of employers, indicating he may have been taking several roles to try to make ends meet.

I have noticed too that Mr H transferred reasonable sums of money – several hundred pounds – to a joint account with his partner, with the reference 'bills'. He tells me these payments were to help cover joint living expenses. I can see that there are occasions where money was transferred back from that account and / or his partner. I've not been able to obtain statements for the joint account, but I think it is unlikely that there will have been significant sums of money available given the activity on the accounts we can see. I don't think a reasonable person would allow so many important items to be unpaid from his account if he had sufficient money available to cover them.

So I think it's clear that Mr H was displaying some of the signs of financial difficulty described by CONC 1.3.1. But I would have expected it to intervene to any great extent while the overdraft was interest free. This is because the overdraft wasn't causing him a loss and removal or reduction of the limit may have caused him further difficulties.

But I would have expected it to look at his overdraft use for signs of financial difficulties before introducing charging. And as I've said, I think it is evident that he was experiencing difficulties, and those difficulties have continued since then and until the final statement I have dated 1 July 2025.

Given the level of difficulty seen, I don't think Barclays treated Mr H fairly when it began to charge him for his overdraft from March 2023. While I acknowledge it's likely he no longer qualified for the student terms which he'd had for so long, I think Barclays ought to have put forbearance measures in place to assist him in getting out of the overdraft rather than begin to charge. I think Barclays should put things right as set out below.

Did Barclays act unfairly or unreasonably in some other way?

Mr H has complained that Barclays didn't take into account his neurodevelopmental disorder in its dealings with the overdraft. However, Barclays says it only became aware of the issue when he raised his complaint in June 2025. And I can see from the paperwork Mr H has provided that he was only diagnosed with the condition six months or so before that. So I don't think I can reasonably say that Barclays ought to have done anything different from this perspective, as I don't think there is any way it could have known about it until Mr H told it.

I've thought carefully about whether Barclays has treated Mr H unfairly in any way other than that set out above. Having done so I don't think it has. It provided Mr H with £900 on an interest and fee free basis for over 11 years which he made good use of. While I think it could potentially have stepped in sooner, Mr H has had the benefit of that money, and I can't see that he has suffered any financial loss as a result of it not doing so until interest began to be applied. That being so, I don't see any grounds on which I could reasonably award compensation on top of the redress I've set out below.

Putting things right

To remove the unfairness caused by failing to step in sooner Barclays should:

- Re-work Mr H's current overdraft balance so that all interest, fees and charges applied to it from March 2023 onwards are removed.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made, Barclays should contact Mr H to arrange a suitable repayment plan for this. If it considers it appropriate to record negative information on his credit file, it should backdate this to March 2023.

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 H, along with 8% simple interest on the overpayments from the date they were made (if they were) until the date of settlement. If no outstanding balance remains after all adjustments have been made, then Barclays should remove any adverse information from his credit file.*

*If Barclays considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr H how much it's taken off. It should also give Mr H a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

My final decision is that I uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 31 December 2025.

Richard Hale
Ombudsman