

Complaint

Miss A has complained about the overdraft charges Barclays Bank UK PLC (“Barclays”) applied to her current account. She’s effectively said the charges applied to her account were unfair as she shouldn’t have been given the overdraft in the first place and this caused ongoing financial difficulty.

Background

Miss A originally applied for a student overdraft in August 2013. Barclays accepted Miss A’s application and she was provided with an overdraft with an initial limit of £1,800.00. By October 2013, this limit was decreased to £1,000.00. In 2023, Miss A’s preferential study terms ended and she began being charged interest when using her overdraft. Miss A’s overdraft limit was reduced to £750, in November 2023.

In December 2024, Miss A complained saying that Barclays shouldn’t have given her this overdraft and doing so caused ongoing difficulty.

Barclays didn’t uphold Miss A’s complaint. It believed that Miss A had complained too late. Miss A remained dissatisfied after Barclays’ response and referred her complaint to our service. When Miss A’s complaint was referred to our service, Barclays reiterated its view that we couldn’t consider part of it as it was made too late.

One of our investigators reviewed what Miss A and Barclays had told us. She reached the conclusion that we could look at the entire period Miss A had her overdraft for. However, she wasn’t persuaded that Barclays had acted unfairly by providing an overdraft or allowing Miss A to use her overdraft in a way that was unsustainable or otherwise harmful. So the investigator didn’t think that Miss A’s complaint should be upheld.

Miss A disagreed with the investigator and asked for an ombudsman’s decision.

My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

Basis for my consideration of this complaint

There are time limits for referring a complaint to the Financial Ombudsman Service. Barclays has argued that Miss A’s complaint was made too late because she complained more than six years after the decision to provide the overdraft, as well as more than three years after she ought reasonably to have been aware of her cause to make this complaint.

Having carefully considered everything, I’ve decided not to uphold Miss A’s complaint. Given the reasons for this, I’m satisfied that whether Miss A’s complaint about some of the specific charges applied was made in time or not has no impact on that outcome.

Having considered matters, I'm satisfied that it is reasonable to interpret Miss A's complaint as being one alleging that the lending relationship between Miss A and Barclays was unfair to Miss A as described in s140A of the Consumer Credit Act 1974 ("CCA"). I consider this to be the case as Miss A has not only complained about the circumstances behind the application of the individual charges, but also the fact Barclays' failure to act during the periods she alleges it ought to have seen she was experiencing difficulty caused ongoing hardship.

I'm therefore satisfied that Miss A's can therefore reasonably be interpreted as a complaint that the lending relationship between herself and Barclays was unfair to her. I acknowledge the possibility that Barclays may still disagree that we are able to look at the whole of Miss A's complaint, but given the outcome I have reached, I do not consider it necessary to make any further comment or reach any findings on these matters.

In deciding what is fair and reasonable in all the circumstances of Miss A's case, I am required to take relevant law into account. As, for the reasons I've explained above, I'm satisfied that Miss A's complaint can be reasonably interpreted as being about that her lending relationship with Barclays was unfair to her, relevant law in this case includes s140A, s140B and s140C of the CCA.

S140A says that a court may make an order under s140B if it determines that the relationship between the creditor (Barclays) and the debtor (Miss A), arising out of a credit agreement is unfair to the debtor because of one or more of the following, having regard to all matters it thinks relevant:

- any of the terms of the agreement;
- the way in which the creditor has exercised or enforced any of his rights under the agreement;
- any other thing done or not done by or on behalf of the creditor.

Case law shows that a court assesses whether a relationship is unfair at the date of the hearing, or if the credit relationship ended before then, at the date it ended. That assessment has to be performed having regard to the whole history of the relationship. S140B sets out the types of orders a court can make where a credit relationship is found to be unfair – these are wide powers, including reducing the amount owed or requiring a refund, or to do or not do any particular thing.

Given Miss A's complaint, I therefore need to think about whether Barclays providing Miss A with an overdraft, increasing her limit or allowing her to use the overdraft in the way that it did, resulted in the lending relationship between Miss A and Barclays being unfair to Miss A, such that it ought to have acted to put right the unfairness – and if so whether it did enough to remove any such unfairness.

Miss A's relationship with Barclays is therefore likely to be unfair if it irresponsibly provided the overdraft or allowed Miss A to continue using her overdraft in circumstances where it ought reasonably to have realised that the facility had become unsustainable or otherwise harmful for her. And if this was the case, Barclays didn't then remove the unfairness this created somehow.

I've therefore considered whether this was the case.

Barclays' initial decision to provide Miss A with an overdraft on student terms and then allowing her to continue using the facility up until October 2023

We've set out our general approach to complaints about unaffordable/irresponsible lending -

including the key rules, guidance and good industry practice - on our website. And I've referred to this when considering Miss A's complaint.

Barclays needed to make sure that it didn't lend irresponsibly. In practice, what this means is Barclays needed to carry out proportionate checks to be able to understand whether Miss A would be able to repay what she was being lent before providing any credit to her.

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.

I think that it is worth me starting by saying that when she was initially granted this overdraft Miss A wouldn't have had to pay any interest or charges for some time provided that she kept within her agreed limit. I think this is especially important context to bear in mind given Miss A's complaint about the initial decision to grant her an overdraft and the limit increases.

When Miss A initially applied for her overdraft, I understand that Barclays will have carried out a credit search. Bearing in mind what I've been provided, I'm satisfied that any credit search that Barclays carried out will more likely than not have shown that Miss A hadn't had previous difficulties with credit. I've not seen anything to suggest that the situation changed by the time that Miss A was provided with her limit increases afterwards either.

I'm also mindful about Miss A's circumstances at the time of her overdraft application and the fact that she was entering full time education. Indeed, Miss A has said that she approached Barclays because she was forced to find private rented accommodation at short notice.

I also don't think that Miss A was provided with her overdraft at a time where she had no income given Miss A would have been in receipt of student loans. While not wishing to appear unsympathetic any shortfall in funds that Miss A has referred to having afterwards, were caused by her need to secure accommodation at short notice. It seems to me that this was a cost she was always going to have to meet if she was going to take up the university place she'd been offered. It's difficult to see how Miss A would have been able to meet these costs without leaving a shortfall in her finances, irrespective of whether Barclays had lent to her.

In these circumstances, where Miss A was unlikely to earn for some time, it's difficult for me to agree that agreeing this overdraft was wholly unreasonable given it would provide her with some breathing space and was a far better alternative to any other alternative sources of credit Miss A would more likely than not have turned to in order to be able to pay for expenses that she imminently needed to pay.

In reaching my conclusions, I've noted that Miss A has referred to a number of ombudsman's decisions from our published database of final decisions. For the sake of transparency, I should make it clear that a couple of the decisions are ones where I was the deciding ombudsman on the case. Miss A says that these decisions make it clear that it is the use of an overdraft over an extended period that was problematic, rather than the fact that the customer was being charged.

In the first instance, I should explain that each case is considered on its own individual facts. And it doesn't automatically follow that Miss A's complaint should be upheld because other some other overdrafts complaints have been upheld. In any event, while I appreciate that Miss A has drawn the conclusions she has from these decisions, I'm afraid that her interpretation of the approach taken in them is incorrect.

I say this because, as I will come on to explaining in more detail in the next section of this decision, the problem with using an overdraft over an extended period of time, is the fact that such use causes a customer to experience a high amount of cumulative overdraft charges. This is precisely why the remedy the deciding ombudsman directed, in the cases Miss A has referred to, was a refund of the overdraft interest, fees and charges that the customer paid.

However, in Miss A's case, prior to October 2023, her overdraft was interest free. So she never paid any interest at all during this period, let alone high cumulative interest charges over an extended period of time. In these circumstances, Barclays couldn't suspend interest and charges that weren't being added, in the way it is suggested that the banks should have done in the cases Miss A has referred to for the customers concerned.

Indeed, it seems to me that the only action Barclays was able to take here is default the overdraft. Given Miss A was operating the overdraft within the terms and conditions and the effect that a default would have had on her overall financial circumstances, I think that such action would have been disproportionate. It's also difficult to see how such action would have helped Miss A or improved her financial position. So I'm not persuaded that Barclays taking such action would have been fair and reasonable in the circumstances.

Overall bearing in mind the circumstances as well as the type of facility Barclays agreed to, I don't think that Barclays treated Miss A unfairly or unreasonably when providing her with an interest free overdraft of up to £1,800.00, or in allowing her to use the facility in the way she did prior to October 2023.

I'll now go on to consider whether it was fair and reasonable for Barclays to begin adding interest to Miss A's overdraft when it did so from October 2023 onwards.

Did Barclays unfairly allow Miss A to continue using her overdraft in a way that was unsustainable or otherwise harmful for her once it became chargeable?

Before I go any further, as this aspect of Miss A's complaint essentially boils down to a complaint that Miss A was unfairly charged as a result of being allowed to continue using her overdraft, I want to be clear in saying that I haven't considered whether the various amounts Barclays charged were fair and reasonable, or proportionate in comparison to the costs of the service provided. Ultimately, how much a bank charges for its services is a commercial decision. And it isn't something for me to get involved with.

That said, while I'm not looking at Barclays' charging structure per se, it won't have acted fairly and reasonably towards Miss A if it applied this interest, fees and charges to Miss A's account in circumstances where it was aware, or it ought fairly and reasonably to have been aware that there was a clear reason it would have been unfair to do so. I've therefore considered whether such a reason existed which would have resulted in Barclays charging Miss A unfairly.

Having looked through the statements Barclays has sent, it's clear that Miss A has been using her overdraft since it started attracting interest after it was converted to a standard current account. I'm therefore satisfied that there can be no dispute that Miss A was using her overdraft over the period of time this part of her complaint is concerned about. Miss A's arguments appear to suggest that this in itself means that her complaint should be upheld.

However, Miss A's overdraft was arranged and an open-ended agreement credit agreement. This means that Miss A had an agreement to use her overdraft and as a result she was entitled to use it without having to reapply to do so. Therefore, Miss A using her overdraft in the period that she had it doesn't automatically mean that her complaint should be upheld.

That said, I do accept that the rules, guidance and industry codes of practice all suggest that prolonged and repeated overdraft usage can sometimes be an indication of financial difficulty. However, it isn't always the case that prolonged and repeated overdraft usage by a customer will always mean that they are, as a matter of fact, in financial difficulty. Indeed, if that were automatically the case, there would be an outright prohibition on revolving credit accounts being open ended, rather than there being a requirement for a lender to review how the facility is being used.

It's also worth saying that one such instance where a lender would be expected to act is where it was clear that the customer was experiencing financial difficulty. Nonetheless, it would need to be objectively clear to the lender, rather than a matter open to interpretation, that the overdraft charges were clearly making things worse and they were harmful as a result.

I've therefore considered whether Barclays acted fairly and reasonably towards Miss A, in this light. In other words, I've considered whether there were periods where Barclays continued charging Miss A even though it ought to have instead stepped in and taken corrective measures on the overdraft as it knew, or it ought to have realised, that he was in financial difficulty.

I think that if Miss A was locked into paying charges in circumstances where there was no reasonable prospect of her exiting his overdraft then his facility would have been unsustainable for her. However, having looked through Miss A's account statements throughout the period from October 2023, I can't see that Barclays ought reasonably to have realised that Miss A was trapped in her overdraft, or experiencing financial difficulty to the extent that it would have been fair and reasonable for it to have unilaterally taken corrective measures in relation to Miss A's overdraft.

I'll explain why I think this is the case in a little more detail.

To begin with, I can't see Miss A notified Barclays that she was struggling and that these charges were causing her difficulty, prior to her complaint. If she had Barclays would have known that the charges were causing harm and I would have expected it to act. Nonetheless, even though I can't see that Miss A directly told Barclays that she couldn't afford to pay these charges, I've also considered whether her account activity ought to have alerted it to this being the case.

In considering this matter, I'm mindful that in order to help with determining whether it is objectively the case that a customer was experiencing financial hardship, the regulator has set out guidance on what it considers to be potential indicators of financial difficulty.

The '*Guidance on financial difficulties*' states that things such as a customer failing to meet consecutive payments to credit, being unable to meet their commitments out of their disposable income, having adverse credit or other insolvency information recorded against them, or being in a debt arrangement should be considered as potential signs of a customer being in financial difficulty. Having looked at Miss A's account transactions, I've seen no indication that any of the potential signs of financial difficulty contained in the guidance, were obviously present in her circumstances during the entire period I've looked at.

I've also looked at Miss A's incomings and outgoings as well as her overdrawn balances and determined whether it was possible for her to have stopped using her overdraft, based on this. I think that if Miss A was locked into paying charges in circumstances where there was no reasonable prospect of her exiting her overdraft then her facility would have been unsustainable for her, even where the indicators of financial difficulties I've set out above weren't clearly present in her circumstances, when looking at the account transactions.

In reviewing this matter, I've noted that throughout the period of time I'm looking at, Miss A's account was in receipt of credits that were sufficient to clear the overdraft within a reasonable period of time. So I'm satisfied that Miss A's case isn't one where a borrower was marooned in their overdrawn with no reasonable prospect of exiting it.

Furthermore, while I'm not seeking to make retrospective value judgements over Miss A expenditure, there are significant amounts of non-committed, non-contractual and discretionary transactions going from Miss A's account.

I accept that Miss A may well have had other credit commitments at this time. But this in itself does not mean that she was reliant on credit to meet her essential expenditure. I'm also not persuaded that Miss A ended up taking the credit she did because of having been granted this overdraft. Furthermore, from Miss A's Barclays account statements, it isn't immediately obvious to me that Miss A's borrowing was from unsustainable sources.

Of course, I accept neither of these things in themselves (or when taken together) mean that Miss A wasn't experiencing difficulty. But I don't think that Miss A's account conduct and overdraft usage obviously show that she was clearly in financial difficulty. And bearing in mind I'm satisfied that it is more likely than not that Miss A did not directly tell Barclays that she was experiencing financial difficulty, that's what I'd need to be persuaded of in order to uphold her complaint.

Looking from the outside, it looks like Miss A was able to reduce the amount that she used her overdraft. Therefore, I don't think that Miss A was obviously locked into using her overdraft and paying the charges for doing so. In my view, there was a reasonable prospect of Miss A exiting her overdraft. And Barclays was reasonably entitled to believe that Miss A was choosing to use her overdraft in the way that she was, rather than a case that her financial circumstances meant that she had no choice other than to do so.

Overall and having considered everything, I don't think that it was unreasonable for Barclays to have proceeded adding the charges that it did. This is particularly bearing in mind the consequences of Barclays taking corrective action, in the way that it would have done had it acted in way that Miss A is suggesting it should have, would have been disproportionate.

I say this because I don't think that it would have been proportionate for Barclays to demand that Miss A immediately repay her overdraft and if not defaulting her account (which is likely to have been what would happen bearing in mind matters), in circumstances where there was a realistic prospect of Miss A clearing what she owed in a reasonable period of time.

Bearing all of this in mind, I've not been persuaded that Barclays created unfairness in its relationship with Miss A either by providing Miss A with an overdraft or allowing her to use her overdraft in the way that she did. Based on what I've seen, I don't find Barclays treated Miss A unfairly in any other way either.

So while I can understand Miss A's sentiments and appreciate why she is unhappy, I'm not upholding this complaint. I appreciate this will be very disappointing for Miss A. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Miss A's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 9 March 2026.

Jeshen Narayanan
Ombudsman