

complaint

Mr M has complained that Barclays Bank Plc (trading as Barclaycard) increased his credit limit in 2015 and again in 2016. He thinks Barclays were irresponsible in their lending as he was only making minimum payments and he couldn't repay his balance within a reasonable amount of time.

background

Mr M says that if Barclays had checked his credit record properly, they would have seen that there were late payment markers on his account and he had taken out a lot of other credit. He believes this should have warned them that he was struggling with his finances and by increasing his limit, they made his financial position worse. He says he had over 70 payday loans and numerous credit cards. As a result, he had to enter into a debt management plan – he says Barclays should have realised he was having difficulties.

Mr M wants Barclays to refund all interest and any late payment charges on the account and for 8% interest to be added. He also wants any late payment, default markers and negative information to be removed from his records.

Barclays have said that Mr M had requested the first credit limit increase of £250. This was an increase from £2,750 to £3,000. The second limit increase was automatic and this was for £500. This was an increase from £3,000 to £3,500. Barclays say they obtained a score against the proposed limit increase and the results showed both increases were affordable.

Our investigator didn't think Barclays had done anything wrong as the first credit limit increase meant that Mr M was able to avoid charges he would have incurred if they hadn't agreed to increase the limit. And the increase was only £250.

The second limit increase was for an amount of £500 but Mr M's account history at the time showed that a credit of £2,000 had been applied to that account and so this indicated that he wasn't having difficulties. Mr M also had the option of refusing the increase and contacting Barclays to let them know that he didn't want the increase.

Mr M disagreed with the investigator and said Barclays had been irresponsible in their lending to him. He said the £2,000 was a balance transfer and not a payment.

And so the case has been passed to me for a 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. Having done so, I don't think Mr M's complaint should be upheld. I'll explain why.

When we look at complaints about irresponsible lending, it's not just about whether the customer could afford to repay the credit or not – it's whether there's another reason they shouldn't have had the credit. Lending is unaffordable if it was clear the customer's disposable income wasn't enough to make the payments for the borrowing at the time they took it out.

And so I've reviewed Mr M's account statements before the first increase to £3,000 and these show that Mr M had made regular payments to his account. Before the second increase to £3,500, a credit amount of £2,000 is shown which Mr M says was a balance transfer. However, there were no missed payments and Mr M stayed within his limits which indicates that Mr M had enough disposable income to make the payments at the time.

I can see that Mr M did start to struggle between 2016 and 2018 but this was after the increases had been applied and so this wasn't information that Barclays could have taken into account before increasing his credit limit. The majority of the payday loans were also taken out after the limits had been increased.

In summary, I can't see that there were any clear warning signs why the initial £250 shouldn't have been approved when Mr M requested this online especially since Mr M had been making all his monthly payments. His overall limit was £2,750 and so the £250 represented just a small increase.

In relation to the second limit, this was an increase of £500 where Mr M's credit limit was £3,000. And a credit of £2,000 had recently been paid to the account which suggested that Mr M was managing his finances. Mr M could have refused this limit before it was increased and again at the time, there was nothing to suggest that Mr M was having trouble with managing his account. There were no missed payments and again, an increase of £500 meant that the total increase to the limit of £750 wasn't an excessively large amount.

I don't think there was sufficient information in 2015 and 2016 which alerted Barclays that Mr M couldn't make payments. And so I can't say that their lending was irresponsible.

my final decision

For the reasons set out above, my final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 29 November 2018.

Shamaila Hussain
ombudsman