Financial Ombudsman Service

complaint

Ms D complains about irresponsible lending by Barclays Bank Plc (trading as Barclaycard). She says Barclaycard increased the credit limit on her late relative, Mr D's account, and did not properly consider his income. She says his limit should not have increased without Barclaycard assessing his ability to pay. She also complains that his interest rate was increased to 30%. Ms D brings the complaint as administrator of the late Mr D's estate.

background

Mr D had a limited income. He was retired and receiving disability benefits. He did not own his own home and had other credit card commitments. His credit limit increased from £1,000 in 2009 to £6,000 in 2011. Ms D says that Barclaycard was irresponsible when it increased his credit limit. She says another financial company reduced his credit limit and Barclaycard should also have done this. She wants compensation.

Barclaycard says it has not got records relating to the credit card limit increase, but the late Mr D had a well managed account and never said he was in financial difficulties. Apart from two late payments, Mr D met his minimum payments. It denies irresponsible lending.

The adjudicator did not uphold the complaint. She said that despite the lack of documentation from Barclaycard, it had not lent irresponsibly. Mr D had managed his accounts well, and there was no evidence he was experiencing financial difficulties.

Until 2011 he did not borrow up to his contractual limit and paid more than the contractual minimum each month. Only in 2011 did he use his limit, but he still made monthly repayments. Banks are allowed to set commercial interest rates, and Barclaycard had notified the late Mr D of the interest rate rises. Just because another financial institution reduced Mr D's credit limit did not mean that Barclaycard should.

Ms D was unhappy with this response. She pointed out that Mr D had a limited retirement income, did not own his own home and received disability benefits to assist with his daily living. If Barclaycard had properly assessed him, it would not have given him such a high credit limit.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

I have considerable sympathy for Ms D. I appreciate that she feels frustrated that Mr D had a limited income, was disabled, and yet received a credit limit of £6,000. It is also unfortunate that Barclaycard no longer has records of the financial assessments made when the late Mr D's credit card limit increased.

Under the Lending Code, banks have a duty to act responsibly and to deal sensitively to customers in financial difficulties. However, despite the lack of documentation, I accept what Barclaycard says, in that it carries out a credit scoring process and a credit check before increasing the credit limit. I find it would have done that before increasing the limit in this case.

I have carefully considered all the documentation provided and it is clear that there was no indication that the late Mr D was in financial difficulties. Mr D met his minimum payments and often paid more. Further, he did not use all the available balance until 2011. Even in 2011 he did not miss payments. I find that Barclaycard was not aware of any financial difficulties from the way Mr D managed his accounts. And, just because another financial institution reduced his credit limit, does not mean that Barclaycard should also have done this.

Regarding interest rates, this is a commercial matter for banks, and in this case Mr D was notified of the rate increase in accordance with lending requirements.

Taking all this evidence into account, I find that Barclaycard was not irresponsible in its lending to the late Mr D.

my final decision

My final decision is that I do not uphold this complainClare Hockney
ombudsman