

complaint

Mr P complains that Barclays Bank PLC lent to him irresponsibly.

background

Mr P took out a loan with Barclays in July 2014. A few months later, he wanted to increase his overdraft by £1,000. But Barclays wasn't willing to do this. Instead, it offered him a loan which refinanced the loan he already had, and added £1,000 of new borrowing. Mr P agreed to this.

Mr P says his financial situation wasn't taken into account when the loan was agreed. He says he's now in financial difficulty and can't afford the repayments. Mr P doesn't think it was reasonable of Barclays to refuse to increase his overdraft, but allow him to add the £1,000 to his loan. And he doesn't think Barclays took proper care to make sure he'd be able to make the monthly repayments. He says the situation with the loan has affected his health, causing him anxiety and depression.

Barclays says Mr P's application would have been credit-scored before it decided to offer the loan. Its system takes into account a number of factors, including existing financial commitments and information from credit reference agencies. It would also have looked at Mr P's account conduct and the information Mr P gave it, including details of his income. Its records show that loan was affordable to Mr P when he took it out, based on what he told it. It says Mr P was also told about his right to cancel the agreement. Barclays apologised about the inconvenience and frustration Mr P had been caused, and the time taken to resolve his complaint. And it paid him £50 to reflect this.

Our adjudicator didn't recommend that the complaint should be upheld. He said, in brief, that the loan agreement clearly showed the rate and term of the new loan. Mr P had signed the loan agreement, agreeing to its terms.

my provisional decision

After considering all the evidence, I issued a provisional decision on this complaint to Mr P and to Barclays on 21 January 2016. I summarise my findings:

- It was immediately clear from Mr P's account statements that before he took the second loan, he was making frequent gambling transactions. These were taking him further into debt. Barclays had said that it wouldn't expect an applicant's frequent gambling to be noticed, or to influence the decision whether to lend or not. It said it wouldn't be the bank's place to allow the decision to be influenced by the applicant's personal spending habits or lifestyle, whatever they might involve.
- As a general rule, agreed with what Barclays had said. We wouldn't expect a bank to make judgments about an applicant's spending choices or lifestyle. But in this particular case, Mr P was willing to more than double the interest rate on his existing loan of £12,000 for the sake of an extra £1,000 borrowing. The effect was to increase his monthly payments very substantially.
- I thought this ought to have alerted the adviser to the fact that Mr P was desperate for the money. And I thought this should have prompted the adviser to look more closely at Mr P's financial situation. If that had happened, I thought it ought to have

been clear to Barclays that there was a high risk that Mr P wouldn't be able to keep up with his monthly payments for long. And a substantial increase in interest rate and monthly payments would make the situation worse.

- I acknowledged that Barclays wrote to Mr P explaining that he had a right to withdraw within 14 days if he changed his mind for any reason. And this was also set out in the loan agreement itself. But given how desperately he wanted the money, I could see that withdrawing from the loan wouldn't have been a realistic option for Mr P.
- I mentioned that Barclays had said that it hadn't received any recent direct contact from Mr P. But a debt management organisation had contacted it on Mr P's behalf in October 2015 and offered to make payments of £1 per month towards the outstanding balance on the loan. Meanwhile, Mr P had made a couple of small cash payments to his overdraft. But he hadn't offered to make any regular payment to reduce it, and the outstanding balance was more than £3,000.
- I wasn't convinced, on balance, that Mr P would have been able to keep up with his loan repayments even if Barclays hadn't granted him the new loan. But the increased interest rate had added significantly to the balance outstanding. In view of what I'd said, I thought that a fair outcome in the particular circumstances of Mr P's complaint would be for Barclays to re-work his loan account as if interest had been applied to the December 2014 loan at 12.505%. That was the interest rate that applied to the original loan. This would reduce the balance outstanding. Barclays had already paid Mr P £50 to reflect the inconvenience he experienced. I considered that to be reasonable in the circumstances.

further submissions

Barclays says that it agrees to the suggestion in my provisional decision. Mr P says he has no further evidence to offer. But he's pointed out that he's reduced his outgoings and the debt management organisation has made an increased offer on his behalf.

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 consider that there's any reason to depart from the findings in my provisional decision. I acknowledge that Mr P is doing his best to repay what he owes and has increased his offer of repayments. But this doesn't make any difference to my view.

my final decision

My decision is that I uphold this complaint. I direct Barclays Bank PLC to rework Mr P's loan account so that an annual interest rate of 12.505% is applied from the date on which the loan was advanced in December 2014.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 16 March 2016.

Juliet Collins
ombudsman