

complaint

Mrs D complains that Barclays Bank Plc has not treated her fairly in that it made two loans to her which she considers were irresponsible, given her financial circumstances. She says the loans made her financial situation worse. She would like the bank to write off the loans and refund interest payments she has made towards them.

background

In 2013, Barclays approved a loan to Mrs D which consolidated debt on a number of credit cards issued by other providers. When the loan was made, Mrs D was already experiencing financial difficulty, and she and her husband have put together a detailed account of their financial situation, and how they say this was affected by the Barclays loan in 2013 and then refinanced consolidation loan in 2015. In particular, they say Barclays failed to take proper account of Mrs D's poor creditworthiness, that it wrongly assessed her income on the basis of a joint account to which Mr D was the greater contributor, that the loans actually increased their outgoings and that the loan terms extended into retirement. They say the loans therefore breached numerous practice and regulatory standards and the loans should be written off as a result.

Our adjudicator did not recommend that this complaint should be upheld. While he acknowledged the arguments which Mrs D had put forward, he considered that on balance, the loans improved her overall financial situation, as they offered a substantially lower interest rate than Mrs D had previously been paying.

Mrs D does not agree, saying Barclays only made a bad debt situation worse, and should have taken recovery action sooner than it did.

my findings

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

Mrs D has raised several issues in her complaint, and I've dealt with these in turn, below.

whether the bank made irresponsible loans

Mrs D has presented extensive information in support of her argument that the bank breached responsible lending standards when approving her 2013 and 2015 consolidation loans. I appreciate her view, but my role is to consider the bank's actions in light of the wider circumstances.

When Mrs D took out the 2013 loan, it was to consolidate credit card debts held with a number of other providers. It's not possible to be certain what the rates on each of these cards would have been at the time, but as unsecured card lending, they were likely to be substantially higher than the rate on the 2013 consolidation loan. So even though repayments did initially increase, I consider that the lower rate of interest and reduction in the number of creditors Mrs D was dealing with to one, did put her in a better position.

Mrs D has said the bank failed to properly assess her income, credit worthiness, capacity to repay, and wrongly extended the term of her borrowing past retirement age. When she took out the loan, Mrs D was already struggling with the finance she already had, and feeling the

impact of multiple high-cost debts. So it's important to note that the starting point was not that Mrs D was in a reasonable financial position, which deteriorated as a result of Barclays' actions. And while it was technically possible for Mrs D to repay her credit card debts before she reached retirement age, in practice, this was very unlikely to happen. So I don't consider that the Barclays consolidation loans made Mrs D's already parlous financial situation worse, and I do consider that the reduction in applicable interest rate and number of creditors did provide her with a benefit.

Taking a slightly different perspective, it's very difficult to see how unwinding the loans would improve Mrs D's position. Where it finds an error, this Service generally aims to restore a consumer to the position he or she would have been in had the error not occurred. Here, it's hard to see how refunding the consolidation loans and restoring the credit card debts would result in Mrs D being better off. Not only would she still have been paying high outgoings and a higher interest rate, there's nothing to suggest that the various other creditors would have dealt with her debt and subsequent defaults in the way she might have preferred.

that Barclays prolonged an inevitable default

I appreciate that with the benefit of hindsight, Mrs D might have preferred for her financial situation to have come to a head sooner. She has said she would have been better to have lost her house sooner, and have completed all recovery processes. But this Service would generally expect lenders to show more forbearance and flexibility when dealing with a customer in financial difficulties, rather than seeking to seize a family home to repay debts at an early point. So I can't say Barclays acted unreasonably in giving Mrs D the opportunity to reduce the cost of her debts and take steps to repay them. When she applied for the consolidation loans, she had not defaulted on the other loans, so there was reason to consider that she would be able to restore her financial situation, with the support provided.

I realise that Mrs D has had a difficult time, and that she understandably would have preferred those difficulties to have been less prolonged than they were. But my role is to consider whether Barclays made an error in consolidating her debts and then refinancing when it did. Because I do consider that her financial situation was improved through the replacement of higher interest rates with lower rates, I consider that on balance, the bank did not make an error in lending to her in the way it did. Because of this, I do not uphold this complaint.

my final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs D to accept or reject my decision before 1 March 2017.

Catherine Wolthuizen
ombudsman