

Complaint

Mr R complains that Barclays Bank UK PLC (trading as Barclaycard) acted irresponsibly by increasing his credit limit.

Background

In July 2015, Mr H contacted Barclaycard with a view to increasing his credit limit. He went through an application during the call and his credit limit was subsequently increased from £600 to £1,800. Mr R now feels that Barclaycard shouldn't have approved this. He's said it would have been clear from his credit file that he'd struggled to repay debt in the past. He'd defaulted on a number of credit accounts and been in a Debt Arrangement Scheme, which he'd only satisfied in March 2015 with help from his parents.

Mr R feels it should also have been apparent from his previous management of the card that he wasn't in a position to take on more credit. He'd made several payments late and had been over his credit limit consistently since 2013. He'd only recently asked Barclaycard to reduce the credit limit to £600 after clearing some of the outstanding balance, again with help from his parents.

Mr R subsequently found the increased limit difficult to manage. He incurred interest and charges, which he feels Barclaycard should reimburse.

Barclaycard looked into Mr R's complaint but didn't feel it had acted irresponsibly. It said it had increased the credit limit at Mr R's request and in line with its own lending criteria. And it said there was nothing on Mr R's credit file which gave it cause for concern when it carried out its affordability checks. As a gesture of goodwill, it refunded £372 in charges to Mr H, and paid him £25 compensation for complaint handling delays.

Our investigator felt that Barclaycard had carried out proportionate checks. He could see that it had asked about Mr R's income and estimated his expenditure using information from credit reference agencies. And it had carried out its own internal credit scoring. He also noted that Barclaycard wouldn't have known Mr H received financial help from his parents. Mr H disagreed, so I need to reach 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.

Before agreeing to increase Mr R's credit limit, Barclaycard was under an obligation to carry out reasonable affordability checks. It needed to satisfy itself that Mr R could repay the prospective borrowing in a sustainable way without it adversely impacting his financial situation, and that he could continue to do that for a reasonable period. The relevant rules aren't prescriptive about what information lenders should ask for as part of these checks, and a key principle is that any checks should be proportionate.

In this case, Barclaycard has said it checked Mr R's employment status, his regular income and his internal credit score. It's said it also carried out a holistic review of Mr R's finances based on information it received from credit reference agencies.

Barclaycard has said it can't provide us with the exact data it received from the credit reference agencies which is disappointing. But from what I've seen on the report Mr R has provided, I think it's likely Barclaycard would have seen that he had defaulted on two current accounts, two credit cards and a loan in 2012 and 2013. And it might also have seen that he'd taken out four payday loans around that same time.

Barclaycard also ought to have been aware that Mr R was in a Debt Arrangement Scheme between June 2013 and March 2015. That's because Mr R's payments towards the Scheme were made by direct debit from his Barclays current account. And as part of its affordability checks it ought to have taken into consideration information it already knew (or should have known) about Mr R.

On the Barclaycard itself, Mr R had been over his credit limit consistently between April 2013 and May 2015. For a lot of that time, he was only making minimum payments. Mr R made three payments late and at one point in 2014 he was two months in arrears.

All these factors should have indicated to Barclaycard that Mr R had struggled to manage credit relatively recently. So, in my view, Barclaycard's affordability checks weren't reasonable or proportionate and should have prompted it to ask Mr R more questions about his financial situation before agreeing to the increase. Had it done so, I think it's possible it would have found out that Mr R had only recently settled debts with 14 creditors, including the five defaulted accounts, through a Debt Arrangement Scheme with help from his parents.

Having said that, I don't think it's likely that knowing that information would have led Barclaycard to a different lending decision, or to conclude Mr R couldn't afford the increase. Barclaycard has said the card Mr R applied for is intended to help customers build their credit worthiness. So, it wouldn't have automatically declined Mr R's application on the basis that he'd been in a Debt Arrangement Scheme in the past, especially given that it had since been satisfied.

When Mr R applied for the increase, he told Barclaycard that he was employed and earning a salary of £19,000. The Debt Arrangement Scheme had come to an end in March 2015. As such, aside from the Barclaycard, which wasn't included in the Scheme, Mr R appeared to be debt free. And he'd brought the balance on his Barclaycard back within the credit limit.

We've asked Mr R questions about whether he had any other financial commitments at the time of the increase, and he hasn't shared anything with us. It isn't apparent from his credit file or his Barclays current account statements that he had any significant financial commitments like a mortgage, rent or car finance at that point. And he generally maintained a positive balance on his Barclays current account in the months before the increase, which was the account his salary was paid into.

Taking all of that into account, I think Barclaycard always would have concluded that Mr R had enough disposable income to afford the increased credit limit. So, while I think Barclaycard probably should have asked Mr R more questions about his financial standing, I don't think Mr R has been disadvantaged as a result of it not doing so. I'm therefore not asking Barclaycard to do anything further.

My final decision

I understand Barclaycard has paid Mr R £25 compensation and refunded £372 in charges. For the reasons outlined above, I conclude this was a fair offer and I make no further award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 31 January 2020.

Mike Walker
ombudsman