

complaint

Mrs C complains that Barclays Bank UK PLC acted irresponsibly by giving her a credit card and increasing her credit limit from £3,000 to £11,000 over the next few years.

background

Mrs C took out a credit card with Barclays in January 2013. Barclays increased her credit limit several times over the next few years. By May 2016 her credit limit was £11,000.

Mrs C says that Barclays acted irresponsibly, given her salary and debt with other lenders. She says that she was left with a high level of debt that she couldn't afford to repay. Her husband has borrowed money to clear Mrs C's credit card debt.

Barclays says it completed the relevant checks and Mrs C met its lending criteria. It says that it had no reason to believe Mrs C was struggling financially when it increased her credit limit. She had regularly paid at least her minimum payment by the due date and kept within the credit limit. It says it wrote to Mrs C in advance of the credit limit increasing. She would have had the opportunity to stop the increase going ahead and also to reduce the limit back down.

I issued a provisional decision on 19 August 2019 where I explained why I intended to uphold the complaint. In that decision I said:

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Based on what I've seen so far I'm planning to uphold Mrs C's complaint. I'll explain why."

Before it gave Mrs C the credit card, Barclays was required to check that she would be able to afford to make the repayments in a sustainable manner. This means it needed to check that she was in a position to repay what she borrowed in a reasonable period of time, without undue difficulty (for example, by getting into further debt).

Barclays has shared the information it used to assess whether or not the credit card was affordable for Mrs C in January 2013. It's told us that her income was £8,000 a year – which means her monthly income was around £666. The information Barclays has provided shows that Mrs C had total debts of £22,567 (excluding her mortgage). Her debts included two loans with a combined monthly repayment of £455. She had another credit card account and two mail order accounts. And she was also overdrawn on her two current accounts. Mrs C had joint responsibility for a mortgage which had repayments of £598 a month. This means that Mrs C's existing financial commitments already exceeded her income –before taking other essential outgoings (food, utility bills, council tax etc) into account.

When it made its decision to lend to her, Barclays seems to have focused on the likelihood of Mrs C making repayments on her card. But this isn't sufficient, according to the relevant industry rules. It also needed to consider if Mrs C would have been able to repay her debt over a reasonable period of time, if she'd spent up to her credit limit. Given Mrs C's income, financial commitments and existing debt, I don't think this was likely. So I don't think Barclays' decision to give Mrs C the credit card was reasonable or responsible.

I can see that Mrs C did manage to pay at least her minimum repayments most months once the card had been issued to her. But this doesn't mean that her credit card borrowing was affordable. Mrs C has told us that she was sometimes using borrowing from other lenders to do this. And in any event, paying just above the minimum (as Mrs C usually did) wouldn't have enabled her to repay what she'd borrowed over a reasonable period of time.

Barclays has given us a brief breakdown of the information it used when it decided to increase Mrs C's credit limit. Based on what it's shown us about the checks it did at each increase, I don't think these were sufficient either. But I won't address these in detail here as I'm satisfied Mrs C's initial application shouldn't have been approved.

Mrs C has had to pay interest and charges on her credit card because of Barclays' decision to lend to her. So I intend to tell Barclays to reimburse her for these. Mrs C has also told us that this has had a negative effect on her mood, sleep patterns and relationship with her family. So I intend to award an additional £250 for the distress this has caused her.

As Mrs C should not have been given the credit card, I also intend to direct Barclays to remove any adverse data from her credit file."

responses

Mrs C said she didn't have any further comments and was happy for the account to be closed. Barclays agreed to settle the complaint in line with what I'd said in my provisional 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. As both parties have said they accept my provisional findings, I see no reason to change my conclusions.

my final decision

For the reasons I've explained, I uphold Mrs C's complaint and direct Barclays Bank UK PLC to:

- reconstruct Mrs C's credit card account to remove all interest and charges;
- apply Mrs C's repayments to the account;
- if this means the debt would have been paid off at some point and/or Mrs C has made repayments she wouldn't have otherwise made, then Barclays should refund those payments with 8% simple interest from the date she would have paid off the debt until she gets the refund*.
- pay an additional £250 to recognise the distress caused.
- remove any adverse information relating to Mrs C's credit card account from her credit file.

*HM Revenue & Customs requires Barclays to take off tax from this interest. Barclays must give Mrs C a certificate showing how much tax it's taken off if she asks for one.

It should pay this within 28 days of us telling it Mrs C has accepted my final decision.

Barclays should also close Mrs C's credit card account if it hasn't already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 30 October 2019.

Anne Muscroft
ombudsman