

complaint

Ms M complains that Barclays Bank UK PLC irresponsibly granted her an overdraft facility.

background

Ms M says Barclays shouldn't have granted her an overdraft in December 2012. She says at that time she had a poor credit record and payday loans. She'd also just come out of a debt management plan, had many defaults, CCJs and a gambling problem. She says Barclays' checks weren't good enough. She wants a refund of the interest and charges paid on the overdraft.

Barclays said in its final response that a £1,300 overdraft facility was granted in January 2013. Ms M's account had been managed reasonably well in the three months before that. And at that time there weren't any debts, defaults or CCJs on her credit file. They were entered after the overdraft was approved. It didn't act irresponsibly and will not make a refund of fees and interest.

Our investigator felt this complaint shouldn't be upheld. She said:

- Ms M's account was overdrawn by relatively small amounts before January 2013. Her statements show spending on gambling and the use of payday loans. But this isn't enough to say approving an overdraft was irresponsible.
- Ms M's credit file shows most payday loans were settled and closed on time. There weren't any missed payments or defaults before January 2013. Missed payments only arose after the overdraft was agreed. Other issues like a CCJ occurred some years before 2013.
- Barclays wouldn't have been aware of the extent of Ms M's problem nor had a detailed explanation from her when she made an online application. The information it had in January 2013 doesn't show problems indicating it was unreasonable to give her the overdraft facility. And her financial position got worse after it was granted.

Ms M doesn't agree and has asked for an ombudsman review. In summary she says her credit file, statements and financial history showed she'd defaulted on a debt management plan, missed payments, had many payday loans and a serious gambling problem. Barclays has also admitted to making lending mistakes at about this time. She's also made many affordability complaints to other companies, including about payday loans, which have been upheld.

my findings

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

Ms M has provided extensive evidence and detailed submissions to support her complaint. I've read and considered them all. But my findings are expressed in considerably less detail. And they focus on what I think are the main issues.

Before agreeing to the overdraft facility for Ms M's account in January 2013 Barclays carried out some checks. There aren't set checks it had to carry out. It particularly considered how

her account had been operated in the preceding three months and what was on her credit file at the time. It was also entitled to rely on what Ms M said in her application.

Barclays concluded that Ms M's account had been managed reasonably well in the three months before the application. And at that time there weren't any debts, defaults or CCJs on her credit file. The overdraft facility was agreed.

Taking everything into account I don't think on balance that this was an unreasonable or irresponsible decision. Although Ms M's financial history before January 2013 wasn't perfect and she'd had some payday loans, this doesn't automatically mean she shouldn't be given an overdraft facility, not least as one can assist a consumer in managing their affairs and reducing overall borrowing costs. A consumer also isn't obliged to use the full overdraft facility that is granted.

Here it's clear that Ms M's position worsened after the overdraft facility was agreed. It was only after the decision was made that more adverse information was recorded on her credit file. As Barclays has said if that later information had been available in January 2013 it wouldn't have given her the overdraft. But it wasn't. And Barclays can only be expected to have made a decision on the information available to it in January 2013. At that time it also didn't have a detailed explanation of events from Ms M.

Ms M says other affordability complaints she's made have been upheld on broadly similar evidence. That may well be the case. Other businesses may've come to a different conclusion but that's a matter for them.

What I must consider in this case is solely what Barclays did in January 2013 on the information it had available then. It must also be remembered that the type of checks carried out for an overdraft facility wouldn't be the same as those for a short term payday loan, as the whole amount of the overdraft facility and any accrued interest doesn't have to be repaid in full the following month as it would on a short term payday loan.

Taking everything into account I can't fairly conclude the overdraft facility was irresponsibly granted by Barclays. And I can't reasonably require it to refund any interest or charges as Ms M would like.

Although I recognise Ms M's strength of feeling and frustration, I don't see any compelling reason to change the proposed outcome in this case.

my final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms M to accept or reject my decision before 23 February 2019.

Stephen Cooper
ombudsman