

complaint

Mr P says it was irresponsible of Barclays Bank Plc (trading as Barclaycard) to increase his credit limit.

background

Mr P took out a Barclaycard in 2011. Barclays decreased the credit limit in 2012 after Mr P had difficulty staying within it and making the necessary repayments. But it increased it above the original limit in 2014 and further again in 2015.

Mr P emailed the bank in May 2018 because he was having financial difficulties and wanted to come to an arrangement to repay his credit card balance. Barclays put a 30-day hold on his account (which meant no interest or charges were applied) and asked Mr P for more information about his financial situation. Mr P didn't provide this, but got in touch again in August 2018 (after contacting us and raising a complaint about his credit limit being increased) and again asked to set up an arrangement to pay.

Mr P said his credit limit shouldn't have been increased and, by doing so, Barclays enabled him to continue gambling.

Our investigator didn't think the bank had done anything wrong – she thought:

- Barclays had completed appropriate checks before raising Mr P's credit limit.
- Mr P had been managing his account well up until he started missing payments in July 2016, some time after the second credit limit increase.
- Barclays wasn't aware (until we told it) that Mr P had a gambling problem and responded positively to his request for help once he told it he was having money troubles.

Mr P didn't accept what the investigator said. He said Barclays didn't review what his income was before increasing his credit limit and loaned him too much given his income and other debts.

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 think Barclays should've done anything differently and I'll explain why.

Was it wrong to increase Mr P's credit limit?

I've considered the relevant rules and guidance that relate to increasing credit card limits as well as Mr P's particular circumstances. And, with that in mind, I think Barclays did assess Mr P's creditworthiness and ability to maintain repayments under the new credit limits before increasing it. It's shown us records relating to the information contained on Mr P's credit file about his financial situation, which likely included reference to the other debts he had at the time. Mr P has also given us his credit report. And I can see he had a number of other credit cards and loans when the credit limit was increased, but all of them were well-maintained at the time.

Barclays should also have had regard to what it knew about Mr P from its existing relationship with him. With that in mind, I can see from his credit card statements that:

- After the credit limit had been decreased in 2012 Mr P had generally been able to stay within the new limit and make at least the minimum monthly repayment.
- In February and May 2013 Mr P made lump sum payments (of about £1,900 and £850 respectively) which cleared the balance. And he used the card only occasionally, for relatively small payments in the months leading up to the first increase.
- Between the first and second increases Mr P managed to stay within his credit limit and make regular repayments.
- In November and December 2014 Mr P made some large payments to an investment company but also received some large credits from the same company. I think this is the 'gambling' Mr P has referred to. And, later on (after the second credit limit increase), he used his card to pay similar amounts to other investment companies which operate more specifically in the financial spread betting arena. As the payments were made to an investment company they may not have flagged the same concerns that high value payments made to a more traditional 'gambling' website/provider might have. But, in any event, gambling isn't illegal and lenders aren't obliged to stop customers from using their credit cards for such activity.

Mr P accepts he didn't tell Barclays that he had a gambling problem. And I don't think, given everything the bank did know about his financial situation, that it was wrong to increase his credit limit in the way it did.

Barclays should've warned Mr P about the credit limit increases before implemented them and given him a chance to opt out. Given the time that's passed the bank no longer has records to show such notifications were sent. Mr P has asked for copies of these but hasn't said specifically that he didn't receive them. I also note the increase was set out clearly on his statements. And he made a large transfer to his bank utilising the second limit increase just a few days after it happened and before his next statement arrived which confirmed the limit had been increased. So it seems more likely that not he did receive prior notification of at least the second increase and chose to accept it rather than opt out of it.

Did the bank do the right thing when Mr P told them he was having money troubles?

It's not clear exactly when or why Mr P's financial situation changed. He used his card sporadically to make large payments to investment companies (as well as other, smaller payments to more everyday retailers) after the second limit increase. And there were times when he went over his credit limit but he continued making the minimum monthly repayments and sometimes made larger ad hoc payments. In December 2016 his direct debit instruction was cancelled and this was confirmed on his statement. But he made some ad hoc payments after that including a little over £450 in July and August 2016 which cleared his arrears and brought account balance back within the credit limit. But he hasn't, so far as I am aware, made any repayments since April this year.

As I've already said, Mr P got in touch with the bank in May 2018 and explained he was in financial difficulty. The bank replied the next day, confirming his account status, that it was

prepared to help and asking him for further information about his income and expenditure. His statements also show the bank suspended all interest and charges for a month. I think this was an appropriate response in the circumstances – the bank needs full details about Mr P's financial situation in order to work out how much he can afford to repay each month. And by temporally suspending interest and charges it gave Mr P some breathing space and time to reply.

Mr P didn't reply within the month. It looks like the bank tried getting in touch with him again, without success. So there was no further communication specifically about Mr P's money troubles until he got in touch again in August this year. Again the bank replied promptly, asking for more detail about his situation. Unfortunately, as far as I can see, Mr P still hasn't provided this information and a repayment plan hasn't yet been agreed.

Overall, I think Barclays has acted fairly and tried to help Mr P. In order to come to a repayment arrangement Mr P needs to give the bank the information it has asked for about his financial situation. And I encourage him to do so without further delay.

Mr P has spent the money and accrued interest and charges in line with the account terms and conditions. And, given everything I've said above, I think it's fair of Barclays to expect him to repay the debt in full.

my final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 27 October 2018.

Ruth Hersey
ombudsman