

complaint

Mr H is unhappy about 3 loans and an overdraft he had with Barclays Bank UK PLC (Barclays). He feels the loans were mis-sold to him, and appropriate checks weren't carried out to ensure the loans and overdraft was affordable. He would like any premiums, interest and late fees applied to be refunded to him.

background

On 6 May 2010 Mr H obtained an overdraft facility of £1,000. He had the following increases; 10 May 2010 to £3,000, 18 May 2010 to £5,000, 2 March 2011 to £7,200, and 14 October 2011 to £7,950. Mr H also applied for, and obtained, 3 loans on line; (1) £8,000 on 26 April 2011, (2) £6,000 on 21 March 2012, and (3) £1,800 on the 17 April 2012. He used all the loans to reduce the overdrawn balance on his account.

Mr H complains that given his financial position at the time, Barclays were irresponsible in giving him the loans and overdraft increases. He pointed out that he had a County Court judgment (CCJ) recorded against him on the 9 October 2009 which ought to have been taken into account. He said he was also making late payments to the loans, and his income did not support further lending. In February 2012 Mr H was made redundant, although it appears he did not tell Barclays that prior to applying for the second and third loans.

Barclays described how it used its Enhanced Risk Assessment process to decide whether it would grant the loans. It calculated that the income into Mr H's account for the 6 months prior to the first loan was an average of £5,240 per month and therefore the loan was affordable. The income for the 6 months prior to the grant of the second and third loans was £2,891 per month, which again Barclays said showed the loans were affordable. Barclays didn't think it had done anything wrong and said Mr H had managed his account well, pointing to the fact that payments were maintained on the first loan until February 2013.

Mr H was unhappy with Barclays' response so an investigator from this service looked into the complaint and spent some time talking to both Mr H and Barclays, before issuing her final view. She felt Barclays had not acted irresponsibly in granting the loans in April 2011 and March 2012, because they weren't to know that Mr H was facing financial difficulties as he had a regular income. She thought the defaults applied to his loan accounts for these dates were fair. But, in relation to the April 2012 loan and the overdraft increase in October 2012 she thought it was clear that Mr H was in financial difficulties and the borrowing was unaffordable, because his regular income had stopped and he was receiving benefits. She suggested Barclays remove the adverse marks relating to that. Barclays didn't agree with her recommendation, instead making an offer to clear the interest on Mr H's loan accounts, and the charges and debit interest on the current account, which amounted in total to £9,438.31. Mr H didn't agree so the complaint has been passed to me.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. I won't repeat the investigator's entire background summary because it covers the issues and I want to avoid repetition. So, if I've not mentioned something it's not because I've ignored it, but because I don't think it's relevant to the issues. My decisions are based on the evidence supplied to me. Where such evidence is incomplete, inconclusive or contradictory, I am bound to reach a decision on the balance of probabilities – in other words, I consider what is more likely to have happened in

the light of that evidence and the wider circumstances of the case. Looking at the available evidence, I think we have an unfortunate situation here.

When lending money to a consumer, Barclays is required to ensure the consumer can repay the borrowing in a sustainable manner without it adversely affecting their financial situation.

As a lender Barclays should obtain sufficient information to make an informed decision about lending. Exactly what a lender should consider is for each lender to decide and the guidance and rules list a number of things each lender may wish to consider. Any checks should be proportionate, based on the size of the borrowing and the borrower's financial situation at the time he makes the application to borrow.

The evidence shows the address recorded on the CCJ was only on Barclays' records as being current between the 13 July 2008 and the 29 July 2008. Thereafter his address changed in July 2008, July 2009, January 2012, October 2012 and May 2014. So when the first loan was granted in 2011 Mr H had not lived at the address on the CCJ for 3 years or so. In these circumstances I don't think it was unfair that Barclays were not alerted to the old CCJ address.

Barclays have explained their income assessment process for the purpose of granting loans, by using an Enhanced Risk Assessment. That involves using information from credit reference agencies as well as the transactional data on a customer's account. They consider income from a number of sources and do not just restrict it to earned income from employment. That seems to me to be a fair and reasonable process.

So, looking at Mr H's statements in 2011 and 2012, I can see there was regular income going into his account, and it was from a variety of sources. I've considered the monthly averages prior to the loans being granted and I can see why Barclays think the loans were affordable at that time. Mr H was managing his account well, and nothing adverse was received from the credit reference agencies. Indeed, Mr H maintained payments on his first loan until 2013, which supports the view that he was managing his account. In addition I note Mr H didn't approach the bank to tell them that he was experiencing financial difficulties, and it would be reasonable to assume that if he had been, he would have. So, I think it is reasonable to conclude from this that Mr H was able to afford the first two loans. So I don't think Barclays did anything wrong here.

However by April 2012 the picture was different. By this time Mr H had been made redundant, although again it is worthy of note that he had not disclosed that to Barclays. But I think it is fair to expect Barclays to have known that his financial position had dramatically changed since he was receiving into his account Job Seekers Allowance, thus indicating he was not working. And I think by this time it would have been clearer that his financial position had materially changed. So I think the granting of this loan and the subsequent increase in overdraft limit was irresponsible. By that time, in my view Barclays should have realised that the loans and borrowings were unaffordable for Mr H.

I have thought about Barclays offer to Mr H. I think taking all of the circumstances of this complaint into account it is a reasonable offer. Barclays have calculated this using their own in house tools, and have even invited Mr H to perform his own calculation if he wished. I understand he has not. So I think overall it is fair enough and puts matters right.

Taking everything into account, I am going to partially uphold this complaint because I think the third loan and the final overdraft increase was irresponsible. However, I will not be asking

Barclays to write off the loans or overdraft or amend Mr H's credit file as I think he had the full benefit of the money and I think the credit file should be a true reflection of the money he currently owes. I will however be asking Barclays to amend the date of the defaults to August 2013 rather than August/September 2014, since that is 6 months from the date Mr H made Barclays aware he was in financial difficulties.

my final decision

My final decision is that Barclays Bank UK PLC should do the following:

- clear the interest on Mr H's loan accounts, and the charges and debit interest on his current account, which in total amounts to £9,438.31.
- to amend the date of the defaults to August 2013.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 16 January 2020.

Jonathan Willis
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