

The complaint

Mr R complains that Barclays Bank UK PLC was irresponsible in its lending to him.

What happened

Mr R says that he received an unsolicited letter from Barclays in 2010 inviting him to apply for a loan. He says that at the time he was severely mentally impaired and unable to make complex budgeting decisions. He applied for the loan in January 2011 and says that no background checks were undertaken other than his credit report and identification. He was unable to maintain the repayments and the loan was defaulted in 2013. Mr R says the loan shouldn't have been provided and it has had a negative impact on his financial situation and credit file.

Barclays issued a final response letter in November 2022 saying that Mr R had raised his complaint out of time.

Mr R wasn't satisfied with Barclays' response and referred his complaint to this service.

A decision was issued saying this was a complaint we could consider. Our investigator assessed the merits of this complaint and didn't uphold the complaint. He didn't find that there was enough evidence to show that Barclays should have been aware that Mr R wasn't able to make an informed decision in regard to the loan. While he couldn't say whether the checks carried out before lending were reasonable and proportionate, he didn't find that reasonable and proportionate checks would have shown the loan to be unaffordable or that the lending wasn't beneficial to Mr R.

Mr R didn't agree with our investigator's view. He said that he was pre-approved for a large loan even though he only had a low income from benefits, his current account was close to zero and his credit cards had been at their limits for several years. He said that had his medical records from the time been assessed it would be clear that he was unable to make an informed decision about the loan. He said that while Barclays wouldn't have been aware of his mental health at the time proper checks would have shown that the loan wasn't affordable.

What I've decided – and why

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

Mr R was provided with a £10,000 fixed sum loan by Barclays in January 2011. The loan was repayable over 84 months with monthly repayments of around £248.

When the loan was provided, the relevant guidance was set by the Office of Fair Trading. This stated that firms should ensure customers had sufficient information to make an informed decision and that firms should make a reasonable assessment of whether a borrower could afford to meet repayments in a sustainable manner. Barclays has said that the lending assessment was carried out and that Mr R would have had to pass its checking

criteria to be approved for the loan. Unfortunately, due to the time that has passed there is limited information available about the checks carried out at the time of Mr R's application.

I note Mr R's comment that he was sent a letter about being pre-approved for a loan in 2010, however Barclays says it has no record of this. Even if this had been sent, Barclays has said the loan was taken out at one of its branches and so this would have allowed Mr R the opportunity to discuss any concerns he had at that time. The agreement contained the information that would be needed to understand the loan, its cost and repayments and so I find that Mr R was provided with the information he needed to make an informed decision.

Mr R has explained his situation at the time in regard to his mental capacity. I am sorry to hear of the difficult time he has experienced, and I do not underestimate the challenges he has faced. But for me to say that Barclays was wrong to provide the loan I would need to say that it should have reasonably realised that Mr R wasn't able to give informed consent to enter the agreement. Barclays has said that it was unaware that Mr R didn't have the capacity to make an informed decision in regard to the agreement until he raised his complaint. Mr R has also said in response to our investigator's view that Barclays wouldn't have been aware of his mental illness at the time. Therefore, on balance, I do not find I have enough to say that Barclays should have been aware at the time the loan was provided that Mr R wasn't able to make an informed decision.

Barclays was also required to assess the affordability of the loan. Due to the passage of time, Barclays hasn't been able to show the outcome of any checks it undertook before the loan was provided. Because of this, I am unable to say whether its checks were reasonable and proportionate. I have therefore considered the evidence that has been provided to assess whether I think, had proportionate checks been undertaken, these would have raised concerns about Mr R's ability to make the repayments.

Mr R's current account was with Barclays and Barclays has said that affordability is captured from actual income and expenses in a customer's account. I have looked through Mr R's current account statements for the months leading up to the loan and these show he was receiving income from benefits of around £850 a month. He had limited regular expenses leaving his account. Given this I do not find that the loan repayment would have appeared unaffordable.

Mr R has provided evidence to show he had two credit cards at the time. These payments aren't shown in Mr R's bank statements, but he was making regular cash withdrawals which could have been used to make his repayments. While Mr R has provided some information about the credit cards, I have nothing to say that a credit check would have shown any issues with the credit card accounts at the time the loan was provided. In terms of considering the repayments as part of the affordability check, I note that Barclays said that when Mr R took out the loan the reason given was to consolidate debts. Given this, I think it would have been reasonable to assume that the loan would be used for this purpose and it is likely that the repayments under the loan would be lower than those required on the credit card debt.

Mr R has also said that he was making payments to his family to cover his household bills and paying £50 a week for private medical treatment. I have taken this into account. But I have to consider what reasonable checks would likely have shown if they had been undertaken at the time. Based on the information in Mr R's bank statements, and noting that while he had credit card debt it appears he said the loan was for debt consolidation, I do not find I have enough to say that had reasonable and proportionate checks been undertaken the loan would have been seen to be unaffordable.

While I understand the concerns Mr R has raised in this complaint and appreciate this isn't

the answer he wants, I do not find I have enough evidence to say that adequate checks would have shown the loan to have been unaffordable, or that Barclays did anything else wrong by providing the loan. Therefore, I am not able to uphold this complaint.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 10 October 2023.

Jane Archer
Ombudsman