

The complaint

Mrs G says Barclays Bank UK PLC irresponsibly lent to her.

What happened

Mrs G took out a loan for £20,000 over 60 months in January 2018. This followed two other loans she had taken out with Barclays, and repaid by then, in March 2015 and May 2017. She says the final loan should not have been given to her as she was drawing her pension. It caused her financial pressure.

Barclays says the loan was affordable for Mrs G based on its income and expenditure assessment. It says it would have also carried out a credit check at the point of sale.

Our investigator upheld Mrs G's complaint. She said the income and expenditure analysis she carried out using Mrs G's bank statements from the months prior showed less income than Barclays said and the loan was not therefore affordable for Mrs G.

Barclays did not provide a response to the assessment so the case was passed to me to make a final decision.

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.

Barclays will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don't consider it necessary to set all of this out in detail in this decision. Information about our approach to these complaints is set out on our website, but broadly what we consider is whether a lender carried out proportionate checks; if so, did it make a fair lending decision; and if not, what would better checks most likely have shown.

Barclays has been unable to share the results of any of the checks it carried out when Mrs G applied. It has retrospectively completed an affordability assessment that shows Mrs G had enough disposable income to afford the loan repayments. It says a credit check was also carried out but I cannot know what this showed as the data is no longer held by Barclays. This means I cannot decide whether the checks were proportionate so I have focused on the lending decision.

I have been able to review Mrs G's income and expenditure at the time from her bank statements. I have reached the same conclusion as the investigator, albeit that my figures vary slightly. My analysis shows her monthly outgoings were slightly lower than the level Barclays calculated at around £710. I have included credit repayments, the household costs she paid and grocery costs. But her income was significantly lower at around £1,100 versus Barclays stated figure of £2,102.75. The discrepancy comes from Barclays inclusion of

credits in from her daughter as Mrs G managed her daughter's money and the child benefit her daughter received. Mrs G was clearly not of the age to be eligible for child benefit so Barclays ought to have questioned this. Mrs G has told us the cash withdrawals from the account were when Mrs G gave her daughter's money to her so I have not included these as expenditure as they essentially net off against the payments in.

I accept Mrs G's financial position is somewhat opaque because of the arrangements with her daughter. But Barclays was lending a large amount over a long term, so I would have expected it to complete a full financial review to ensure it had the assurances it needed that the loan was affordable. And had it done so, it would have understood the value of Mrs G's actual income (from her pension and benefits) versus money she 'held' and released in cash to assist her daughter with money management. Mrs G's income was much lower than it perceived.

With this knowledge, that Barclays could and should have obtained at the time, it is clear Mrs G did not have the monthly disposable income needed to sustainably take on a £371.17 loan repayment. It would leave her with around £20 disposable income each month. I accept she had a healthy credit balance but there is no evidence Barclays knew she intended to use this to help repay the loan, nor do I think it was large enough to do so given the value of the lending and the lack of disposable income it created for Mrs G.

It follows I think Barclays was wrong to lend to Mrs G.

Putting things right

As I don't think Barclays should have lent to Mrs G she should only have to repay the money she borrowed (and had the use of). So, I think Barclays should refund all of the interest and charges Mrs G paid on this loan.

So Barclays should do the following:

- Add up the total amount of money Mrs G received as a result of having been given this loan.
- The repayments Mrs G made should be deducted from this amount.
- If this results in Mrs G having paid more than she received, then any overpayments should be refunded along with 8% simple interest (calculated from the date the overpayments were made until the date of settlement). †
- If any capital balance remains outstanding, then Barclays should attempt to arrange an affordable/suitable payment plan with Mrs G.
- Remove any negative information recorded on Mrs G credit file regarding the loan once any outstanding balance has been repaid.

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

My final decision

I am upholding Mrs G's decision. Barclays Bank UK PLC must put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G to accept or reject my decision before 15 December 2023.

Rebecca Connelley
Ombudsman