

The complaint

Mr M complains that Barclays Bank UK PLC unfairly reduced the credit limit on his credit card account and deducted tax from a compensation payment.

What happened

Mr M made a number of complaints to Barclays which resulted in a payment of interest ordered by this service. He says Barclays deducted tax from the payment which is unfair as he does not pay tax. Mr M also complains that Barclays unfairly reduced the credit limit on his credit card account. He says that decision is linked to his other complaints and needs looking at in those circumstances.

Barclays says it deducted tax from the payment as it's obliged to do. It says it deducted just over £480 from the payment and says it's up to Mr M to either pay further tax or claim a refund. Barclays says it's entitled to reduce a credit limit in line with account terms and conditions.

Mr M brought his complaint to us, and our investigator didn't uphold it. The investigator thought Barclays had issued three default notices and the account was in arrears. The investigator thought in any event Barclays was entitled to reduce the credit limit without providing reasons for doing so. The investigator thought Barclays correctly deducted tax from the payment.

Mr M doesn't accept that view and says the problems were caused by Barclays earlier mistakes and his credit limit may not have been reduced. He questions why he should wait for a tax refund.

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.

Having done so I have come to the overall view that I don't uphold this complaint. I make clear to Mr M that I am aware he has other complaints, but this decision will only deal with the tax complaint as well as the credit limit reduction.

I am sure Mr M appreciates that neither we nor Barclays set the rules about the payment of tax on compensation and, as in this case, payments of interest on refunds. The rules are set by His Majesty's Revenue and Customs (HMRC) and Barclays is obliged to follow those rules, which in summary say that tax is payable on such payments.

I can see from Barclays records that it wrote to Mr M on 15 September 2021 providing him with what I think is a detailed table of payments, interest calculations and tax deducted. I can also see Barclays told Mr M that it had deducted tax at the basic rate of 20% and that he should contact HMRC using a specified form to either increase that payment if he paid tax at a higher level or to request a refund if he didn't pay tax. I appreciate Mr M says he doesn't pay tax, but I wouldn't have expected Barclays to know that or that it would have made any

difference to the deduction.

So, I'm satisfied that Barclays didn't make a mistake or act unfairly by deducting the tax and provided clear information to Mr M why it did so. And what he needed to do to reclaim the tax. I don't think it clear if Mr M has applied for the refund or what the outcome was. I appreciate Mr M says there would be a delay in him receiving the money but that is not something I can fairly hold Barclays responsible for in these circumstances. I also appreciate Mr M may conclude the deduction was linked to the complaint, but I make clear to Mr M that Barclays has acted as I would expect, and such deductions are inevitable due to the type of payment he received.

I have looked carefully at Mr M's account terms and conditions which I'm satisfied he would have agreed to when the account was first opened. Those terms and conditions make clear that Barclays can reduce a credit limit. I can see that Barclays wrote to Mr M before each credit limit reduction telling him about the change. So, I'm satisfied Barclays was entitled to reduce the credit limit and isn't obliged to provide Mr M with the exact reasons for doing so. I don't think it matters about Mr M's other complaints or that they are relevant. As I have made clear Barclays is entitled to make a commercial business decision and reduce a customer's credit limit in line with account terms and conditions.

Overall, I appreciate Mr M will be disappointed by my decision and about how strongly he feels about what took place. But this now brings an end to what we in trying to resolve these complaints informally can do.

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 M to accept or reject my decision before 2 August 2023.

David Singh
Ombudsman