

The complaint

Mr M complains that Barclays Bank UK PLC lent to him irresponsibly.

What happened

In January 2018 Mr M applied for a loan. Barclays approved the application and gave Mr M a loan for £5900 repayable over 36 Months at around £183 per month.

In June 2018 Mr M refinanced the loan. Barclays gave Mr M a loan for £7500 over 48 months repayable at around £180 per month.

In December 2018 Mr M refinanced the loan. Barclays gave Mr M a loan for £10,000 over 60 months repayable at around £199 per month.

Mr M complained that Barclays had lent to him irresponsibly.

Barclays didn't uphold the complaint. It said it had carried out proportionate checks before lending to Mr M.

Mr M remained unhappy and complained to this service.

Our investigator didn't uphold the complaint. He said there was nothing to suggest that Mr M wasn't likely to be able to sustainably repay the loans.

Mr M didn't agree. He said the 3rd loan was irresponsible because he was in persistent debt.

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.

We've set out our approach to complaints about irresponsible and unaffordable lending on our website. I've had this approach in mind when considering Mr M's complaint.

Before agreeing to lend, Barclays needed to complete reasonable and proportionate checks to ensure that Mr M could afford to sustainably repay what was being lent to him.

There's no set list of checks that a lender has to carry out. But lenders need to consider things like the amount being lent, the total amount repayable, the monthly repayment and the consumers individual circumstances when deciding what's reasonable and proportionate.

Barclays has told this service that it used a credit decisioning system to determine whether the application should be approved. The system takes into account things like the consumers account history, credit history, the type and amount of credit applied for, income and expenditure and the reason for the borrowing.

Barclays also carried out an income and expenditure assessment using information from Mr

M's bank statements.

Taking into account the amount of the loans and the relatively short time before each loan was refinanced, I think it would have been proportionate for Barclays to have reviewed Mr M's bank statements for the 3 months period leading up to each lending decision to get a better understanding of Mr M's financial position.

I've gone on to consider what reasonable and proportionate checks would've shown. I don't know what further checks Barclays would've carried out. But as I've said above, I think it would've been proportionate to look at Mr M's bank statements. So, I've looked at these for the relevant period.

The statements show that Mr M had average monthly income of £3300 and regular monthly outgoings of around £1150. Mr M had an overdraft which he used regularly and was repaying two other loans.

Mr M's current account was regularly – but not permanently – in overdraft, but the overdraft limit was never exceeded.

Based on what I've seen, Mr M had monthly disposable income of around £2100. I think this was sufficient for him to afford the loan repayments which, at their highest, were £199 per month.

Looking at the information, I haven't seen anything to suggest that Mr M was struggling to repay his existing consumer credit commitments or that he was overly reliant on credit. If Barclays had looked at the bank statements, I still think they would've approved the loan applications.

For the reasons I've given I'm unable to say that Barclays lent to Mr M irresponsibly.

I've taken account of what Mr M has said about his overdraft and his credit cards. But I don't think this is a reason for Barclays not to approve the loan application because the information showed that the loan appeared affordable.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 6 August 2023.

Emma Davy
Ombudsman