

## The complaint

Ms D complains Barclays Bank UK PLC lent to her irresponsibly.

## What happened

Ms D took out the following loans with Barclays, and complains they shouldn't have been approved because they were unaffordable:

Account	Date opened	Amount	Term (months)	Monthly repayment	Date closed
Loan one	10 June 2011	£6,000	Unknown	£174.88	8 August 2011
Loan two	8 July 2011	£1,200	Unknown	Unknown	8 August 2011
Loan three	29 July 2011	£8,500	60	£245.42	2 March 2015
Loan four	14 June 2013	£5,100	60	£147.24	7 May 2018
Loan five	24 February 2015	£3,300	60	£95.05	4 April 2019

After reviewing everything, our Investigator only felt loan five shouldn't have been given to Ms D. He explained had Barclays carried out sufficient checks, they ought to have known this loan was unlikely to be affordable for Ms D. He said this because Barclays' contact notes showed Ms D had struggled making repayments for loan three the year before taking out this loan. He'd also seen Ms D had taken out a high-cost loan, two months before loan five was approved; and having reviewed Ms D's statements, he considered her outgoings were greater than her income – meaning the loan would have always been unaffordable, even if previous accounts of Ms D's had closed.

Barclays disagreed and explained loan five was requested by Ms D, and they felt it would have been beneficial to her because some of the funds were used to consolidate her debts. They also explained they hadn't seen enough information to persuade them Ms D had difficulties repaying the loan – especially given it was repaid early.

Our Investigator wasn't persuaded to change their opinion, so Ms D's complaint was passed to me for 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.

Having reviewed everything, I'm upholding this complaint – in part. I'll explain my reasoning below.

Barclays needed to make sure they didn't lend to Ms D irresponsibly. This means Barclays needed to carry out proportionate checks so that they could understand whether Ms D could afford to repay the loans. Our approach to complaints about unaffordable and irresponsible lending is on our website, and I've used this approach to help me decide a fair and reasonable outcome for Ms D's complaint.

### Loans one, two and three

Ms D took out her first three loans between June and July 2011. We've not been provided with information to show what checks were carried out by Barclays, but this isn't unreasonable given the time that's passed. However, I've seen copies of Ms D's bank statements and credit report that cover this period.

Having reviewed the information we've been provided; I've not seen anything to suggest Barclays ought to have asked further questions about Ms D's financial circumstances before approving these loans. I also haven't seen enough to safely conclude these loans were unaffordable at that time when considering the credits paid into Ms D's account each month. So, it's for this reason, I can't uphold Ms D's complaint for the loans between June and July 2011.

### Loan four

The fourth loan was approved in June 2013, after what looks like an automated credit check carried out by Barclays. Having considered the information gathered from this check, I can't see anything that ought to have triggered Barclays to have carried out additional checks. However, I have looked at what Barclays might have seen had they done so.

I've looked at Ms D's credit report, and while I can see she had two credit cards at the time, I've not seen enough to suggest they ought to have been a reason not to approve this loan. I've also looked at Ms D's bank statements for the period of March to June 2013. Again, I've not seen anything to safely conclude this loan was unaffordable for her circumstances at the time.

### Loan five

This final loan was approved in February 2015, and again, this happened following automated checks.

By this point, Ms D had taken several loans with Barclays, and at this time already had two other open loans with them. So, I consider this ought to have given Barclays a reason to carry out more thorough checks of Ms D's financial circumstances – particularly given they were aware of issues she'd had making repayments towards loan three in early 2014.

Had Barclays carried out additional checks, they would have seen Ms D had taken out a high-cost loan with a different business in December 2014. I think this ought to have made them consider if approving a further loan would be affordable – and whether Ms D would be able to sustain repayments without the need to borrow from elsewhere. Additional checks (of Ms D's bank statements) also would have shown them her expenditure had increased since her previous loans – again bringing into question the suitability of approving a further loan for her.

Barclays is satisfied their checks were sufficient; and that loan five was suitable for Ms D's needs. However, the evidence provided by both parties shows Ms D had gotten into a cycle of borrowing, which in turn suggested she needed to continue doing so to keep up with her repayments. This is further supported by the additional borrowing she took out while loan five was open.

Given the above, I'm of the opinion Barclays' failure to carry out sufficient checks meant that it didn't act fairly and reasonably when it approved loan five. As Ms D paid interest, fees and/or charges on this loan that Barclays shouldn't have given to her, I consider Ms D has lost out due to Barclays' mistake. As such, Barclays needs to do something to put things right.

In light of the above, I'm upholding Ms D's complaint, in part.

### **My final decision**

My final decision is that I'm upholding Ms D's complaint.

To put things right, Barclays Bank UK PLC should:

- Refund all interest and charges Ms D paid on loan five.
- Add 8% interest per year simple on any refunded payments from the date they were made by Ms D, to the date of settlement. \*
- Remove all adverse information regarding loan five, if any was recorded on Ms D's credit file.

\*If Barclays Bank UK PLC considers they're required by HM Revenue & Customs to deduct income tax from that interest, they should tell Ms D how much they've taken off. They should also give Ms D a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms D to accept or reject my decision before 3 August 2023.

Sarrah Turay  
**Ombudsman**