

## **The complaint**

Mr G is unhappy that Barclays Bank UK PLC approved him for a loan which he feels wasn't affordable for him at that time.

## **What happened**

In December 2018, Mr G applied to Barclays for a personal loan of £16,200 which was to be repaid over 60 months at £303.59 per month. Mr G's application was successful, and he received the loan funds shortly afterwards.

In July 2022, Mr G raised a complaint with Barclays because he felt Barclays had provided the loan to him in 2018 irresponsibly, and that he hadn't in fact been able to afford the loan Barclays provided to him at that time.

Barclays responded to Mr G's complaint and confirmed that they'd undertaken checks into his financial position before approving his loan application and that they remained satisfied that there hadn't been anything resulting from those checks to suggest that Mr G wouldn't have been able to afford the loan he was applying for. Mr G wasn't satisfied with Barclays' response, so he referred his complaint to this service.

One of our investigators looked at this complaint. But they didn't feel that Barclays had acted irresponsibly or unfairly by approving Mr G's loan application as they had. Mr G remained dissatisfied, so the matter was escalated to an ombudsman 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.

I issued a provisional decision on this complaint on 9 June 2023 as follows:

*It's for a business to decide whether it will offer credit to a customer, and if so, how much and on what terms. What this service would expect would be, that before approving a customer for a new line of credit such as personal loan, the business would undertake reasonable and proportionate borrower focussed checks to ensure that any credit being offered to a customer is affordable for that customer at that time.*

*Barclays believe that they did that here and note that at the time of the application they took information from Mr G about his employment status and annual income, as well as obtained information about him from a credit reference agency to get a better understanding of Mr G's wider financial position.*

*Barclays used a combination of obtained information and modelling to assess Mr G as having monthly income of £2,060 and monthly expenditure of £1,190. This meant Barclays assessed Mr G as having monthly disposable income of approximately £870, and so they felt that Mr G would reasonably be able to afford the monthly payments of £303.59 for the loan he was applying for.*

*Notably however, Mr G lived in a shared ownership property, whereby he paid a mortgage towards the portion of the property he owned and rent towards the portion of the property he hadn't yet been able to buy. Barclays don't appear to have recognised this, and I say this because while their expenditure assessment for Mr G includes a monthly mortgage amount, it doesn't include the monthly amount that Mr G had to concurrently pay. As such, I'm not convinced that Barclays' assessment of Mr G's income and expenditure was accurate.*

*Additionally, Mr G has provided this service with a series of letters received from Barclays on an almost monthly basis in the year leading up to the loan application. These letters were regarding Mr G's Barclays current account and note that Mr G had incurred charges on that account. This was because Mr G regularly maintained the balance of his current account in an overdrawn position, and incurred charges as a result.*

*Furthermore, Barclays assessed Mr G as having a net annual income of approximately £24,000 and were aware of existing unsecured borrowing by Mr G of approximately £10,400. As such, by lending this further £16,200 to Mr G – of which £2,200 was used by Mr G to repay other borrowing – Barclays were increasing Mr G's level of total indebtedness by £14,000.*

*This meant that Mr G's total level of unsecured borrowing increased to roughly £22,200, which is amount greater than 90% of Mr G's net annual income. This doesn't feel fair to me, because I don't feel that such a large debt-to-income ratio can reasonably be considered as being sustainable.*

*As such, the picture that presents itself here in regard to this provision of credit to Mr G by Barclays is that Barclays increased Mr G's level of debt to a unsustainable level after inaccurately assessing his income and expenditure at a time when I feel that the regular charges Mr G was incurring on his Barclays current account should have given Barclays cause to suspect that Mr G might not be in the relatively good financial position that they assessed him to be.*

*It therefore follows that my provisional decision here will be that I'll upholding this complaint in Mr G's favour and instructing Barclays to take the following action:*

*Barclays must reimburse to Mr G all interest, fees and charges incurred or accrued on the loan from the point of inception.*

*If these reimbursements result in there being a credit balance in Mr G's favour, Barclays must pay that balance to Mr G along with 8% simple interest calculated to the date of payment.*

*If there is no outstanding balance on the loan for Mr G to pay, Barclays must also remove all adverse reporting regarding this loan from Mr G's credit file from the point of the loan inception.*

*If the above instructed reimbursements result in a balance remaining outstanding on the loan for Mr G to pay, Barclays should contact Mr G to arrange a suitable interest free repayment plan with him.*

*And if there is a balance on the loan remaining for Mr G to pay, Barclays should remove all adverse credit file reporting relating to this loan only after Mr G has repaid that balance in full.*

*These instructions are based on the position that Mr G did receive the loan amount and benefited from it, regardless of it being provided irresponsibly, and so I feel it's fair that he should pay back the capital balance of the loan that he received.*

Barclays responded to my provisional decision letter and provided some further information about Mr G's monthly expenditure which I'm satisfied shows that they did take account of payments that were ultimately used by Mr G to pay the monthly rent owed on his property.

Barclays also argued that because Mr G's loan is fully up to date and has never been in arrears, then it must be the case that the loan was affordable for him. But the question here isn't whether Mr G was able to make his loan payments, but whether Barclays should have fairly provided that loan to him – given the information about Mr G they obtained when the loan was applied for.

And it remains the case that, at the point of application, Barclays assessed Mr G as having a net annual income of approximately £24,000 and were aware of existing unsecured borrowing by Mr G of approximately £10,400. And so, I continue to feel that, by increasing Mr G's total level of unsecured borrowing to approximately £22,200 – which was over 90% of Mr G's net annual income – Barclays were facilitating Mr G with a level of overall unsecured debt that wasn't reasonably sustainable in consideration of his income and which he couldn't reasonably afford.

Accordingly, it remains my position here that Barclays have provided this loan to Mr G irresponsibly, and as such my final decision is that I uphold this complaint in Mr G's favour on the basis described above.

### **Putting things right**

Barclays must reimburse to Mr G all interest, fees and charges incurred or accrued on the loan from the point of inception.

If these reimbursements result in there being a credit balance in Mr G's favour, Barclays must pay that balance to Mr G along with 8% simple interest calculated to the date of payment.

If there is no outstanding balance on the loan for Mr G to pay, Barclays must also remove all adverse reporting regarding this loan from Mr G's credit file from the point of the loan inception.

If the above instructed reimbursements result in a balance remaining outstanding on the loan for Mr G to pay, Barclays should contact Mr G to arrange a suitable interest free repayment plan with him.

And if there is a balance on the loan remaining for Mr G to pay, Barclays should remove all adverse credit file reporting relating to this loan only after Mr G has repaid that balance in full.

### **My final decision**

My final decision is that I uphold this complaint against Barclays Bank UK PLC on the basis explained above.

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

Paul Cooper  
**Ombudsman**