

The complaint

Ms F complains that Barclays Bank UK PLC, trading as Barclaycard ("Barclaycard"), irresponsibly granted her credit on a credit card that she couldn't afford to repay.

What happened

In October 2002 Ms F took out a credit card with a lender that was later taken over by Barclaycard in October 2011.

Ms F says Barclaycard didn't complete adequate checks when it granted her the card and later increases and so it failed to properly look into her financial situation.

Our investigator found that the card opening and credit limit increases before July 2017 were outside of our jurisdiction. So the complaint I am addressing in this decision is only about the three credit limit increases that took place in July 2017, March 2018 and November 2018, when the credit limits were increased to £5,600, £6,100 and £9,100 respectively.

Having looked into the merits of the complaint on that basis, our investigator recommended that the complaint should be upheld from the time of the credit limit increase in July 2017.

As Barclaycard didn't agree the complaint has been passed to me for a 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.

We've set out our general approach to complaints about unaffordable and irresponsible lending - including the key relevant rules, guidance and good industry practice - on our website and I've taken that into account when I have considered Ms F's complaint.

Barclaycard needed to take reasonable steps to ensure that it didn't lend irresponsibly to Ms F. In practice this means that it should have carried out proportionate checks to make sure Ms F could afford to repay the additional credit she was being given in a sustainable manner. These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and Ms F's income and expenditure.

But at this point in the lending relationship, we might think Barclaycard would have needed to do more if, for example, a borrower's income was low or the amount lent was high. Generally speaking, the longer the lending relationship goes on, the greater the risk of a consumer having a change in their financial circumstances, leading to the lending becoming unsustainable and the borrower getting into financial difficulty. So we'd expect a lender like Barclaycard to be able to show that it didn't make the decision to lend or continue to lend to a customer irresponsibly.

In this complaint, I agree with our investigator that although the type of checks Barclaycard carried out may have been appropriate, they were not proportionate and did not take into account Ms F's change of circumstances. I will explain why.

At the point in July 2017 when Barclaycard increased Ms F's credit limit from £4,100 to £5,600, Ms F had had her account for around 15 years and been known to Barclaycard since it took over her account in October 2011. I've noted that Ms F says she didn't use the card much until 2015 and that's reflected in the card transaction history.

Before granting the increase, Barclaycard relied on checks with a credit agency to look into Ms F's financial situation. It saw she owed around £7,500 to other credit cards and had a monthly mortgage payment to meet of around £550. Ms F's recent credit history was good with no adverse markings on her credit file. But I do think it should have done more in this case to establish whether the increased lending would be affordable. For instance, I can't see that Barclaycard enquired about Ms F's income and nor did it take steps to find out more about her other regular living costs. Barclaycard rightly says that Ms F often made repayments to her card that were above the minimum required, sometimes substantially. But further enquiry would likely have shown that some of the card repayments were made with the benefit of balance transfers Ms F had arranged with her other card providers. Ms F had made use of balance transfer facilities on at least three occasions in the previous 12 months to help her consolidate her debt. I also think it's worth noting that another balance transfer was used to clear Ms F's card balance in full a month after being granted the credit limit increase.

It follows that by not gaining a more detailed understanding of Ms F's financial commitments and her circumstances, I can't say that Barclaycard's checks leading to its decision to grant Ms F more credit were proportionate.

I can't be sure exactly what Barclaycard would have seen if it had asked but our investigator obtained Ms F's bank statements and tax returns from around the time, plus Ms F has provided us with a detailed account of work and income situation.

I've seen that by the time she was given the increase, Ms F's personal circumstances had changed. She was self-employed and had parenting responsibilities. She was in receipt of state benefits in addition to what appears to have been irregular self-employed income from the various roles she had taken on. This is reflected by her bank statements. So, in the months leading up to the increase, and as Ms F has explained, much of the account throughput was business-related expenditure as well as her personal living costs. Her level of income was clearly very variable from month to month, although the benefits payments were constant, with Ms F also receiving ad hoc small payments from her partner. But it's nevertheless the case that, as noted by our investigator, Ms F was most months spending more than she was receiving. Whilst it's not possible to determine the precise impact this was having in terms of the disposable income she was left with each month, what is clear is that her financial position was more often than not being stretched.

Ms F's tax returns show a variable level of income. Her tax return for 2017-2018 shows she declared an income of just over £9,000. We know that at the point she was granted the Ms F already owed around £7,500 to other lenders, as well as £3,700 to Barclaycard. She also had to meet a monthly mortgage payment of around £550. So, to be able to sustainably repay her existing card commitments (based on a 5% monthly repayment) Ms F would need to find around £560 each month. That means she would need around £1,100 each month to meet her existing credit commitments. I appreciate that Ms F was making regular use of balance transfer facilities to help juggle her finances, but this was only a short-term fix that may have enabled her to benefit temporarily from low interest rates. That Ms F had become

so reliant on making such transfers further supports the likelihood that her overall financial position was deteriorating.

Putting all this together leads me to conclude that Barclaycard's decision to grant Ms F a further £1,500 meant there was a real risk that her already stretched financial circumstances would be likely to deteriorate further once she started making use of it. I say this given that likelihood that she was not in a secure enough financial position to be able to fund her existing credit repayments, other financial commitments and daily living costs sustainably.

I've seen Barclaycard has queried a large sum Ms F received into her bank account in September 2018. Although this post-dates the credit limit increase, Ms F has said that this relates to an inheritance being given to her following the death of her father. Some of it was used to pay off her then outstanding sum with Barclaycard whilst she invested the remainder.

I therefore agree with our investigator that Barclaycard failed to properly take into account that the data they relied on, without making further enquiry, meant it was likely that Ms F would be unable to sustainably manage her new credit limit alongside her other card borrowing, mortgage and day to day living costs.

I therefore don't think Barclaycard should have granted Ms F the increased credit limit of £5,600 in July 2017.

Putting things right – what Barclaycard needs to do

- Rework Ms F's account to ensure that from 3 July 2017 onwards interest is only charged on balances up to the credit limit of £4,100, (being the credit limit in place before that date) to reflect the fact that no further credit limit increases should have been provided. All late payment and over limit fees should also be removed; and
- If an outstanding balance remains on the account once these adjustments have been made Barclaycard should contact Ms F to arrange an affordable repayment plan for the account. Once Ms F has repaid the outstanding balance, it should remove any adverse information recorded on Ms F's credit file from 3 July 2017.

OR

- If the effect of removing all interest, fees and charges results in there no longer being an outstanding balance, then any extra should be treated as overpayments and returned to Ms F, along with 8% simple interest per year on the overpayments from the date they were made (if they were) until the date of settlement. Barclaycard should also remove any adverse information from Ms F's credit file from 3 July 2017.†

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

Given that Barclaycard sold the outstanding balance on this account to a third party in or around August 2023, it either needs to buy the account back from the third party and make the necessary adjustments; pay an amount to the third party so it can make the necessary adjustments; or pay Ms F an amount to ensure that it fully complies with this direction.

My final decision

For the reasons I've set out above, I'm upholding Ms F's complaint. Barclays Bank UK PLC, trading as Barclaycard, should put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms F to accept or reject my decision before 1 February 2024.

Michael Goldberg

Ombudsman