

Complaint

Miss S has complained about a credit card Barclays Bank UK PLC (trading as “Barclaycard”) provided to her. She says the credit card was given to her irresponsibly.

Background

Barclaycard provided Miss S with a credit card with a limit of £400 in May 2022. The limit on the card was never increased, but it was decreased to £350 in September 2022 and £300 in January 2023. I understand that the balance has been repaid and that the account has since been closed.

One of our investigators reviewed what Miss S and Barclaycard had told us. And she thought Barclaycard hadn’t done anything wrong or treated Miss S unfairly. So she didn’t recommend that Miss S’ complaint be upheld.

Miss S disagreed and asked for an ombudsman to look at the complaint.

My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Miss S’ complaint.

Barclaycard needed to make sure it didn’t lend irresponsibly. In practice, what this means is Barclaycard needed to carry out proportionate checks to be able to understand whether Miss S could afford to repay any credit it provided.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to lend to a customer irresponsibly.

Barclaycard says it initially agreed to Miss S’ application after it obtained information on her income and carried out a credit search. And the information obtained indicated that Miss S would be able to make the low monthly repayments due for this credit card.

On the other hand Miss S says that the card was provided to her at a difficult time and when she shouldn’t have been lent to.

I’ve considered what the parties have said.

What's important to note is that Miss S was provided with a revolving credit facility rather than a loan. This means that Barclaycard was required to understand whether a credit limit of £400 could be repaid within a reasonable period of time, rather than all in one go. As a credit limit of £400 requires relatively small monthly payments in order to clear the full amount owed within a reasonable period of time, it sometimes wouldn't be unfair for a firm to carry out low level of check to reflect the proportionality of the risk to the customer.

That said, Barclaycard didn't rely on a low level of check and it's clear that it actually carried out a number of checks here before deciding to lend to Miss S. It carried out a credit check which indicated that Miss S had a bank account, but no other discernible active credit accounts in her name. And she didn't have much in the way of credit accounts in the past either.

Furthermore, Miss S declared that she was in receipt of an annual income of £15,000.00. As I understand it Miss S also declared that she wasn't working at the time. So Barclaycard cross-checked this declaration which, in my view, was sensible in the circumstances. Barclaycard's cross-check was against information on a check that it carried out with credit reference agencies in order to get an idea whether the amount of money going into Miss S' current account each month supported the possibility of her receiving £15,000.00 a year. The check suggested that Miss S' declaration of what she received was broadly accurate.

Equally, when an amount for Miss S' existing commitments was deducted from what she received each month, Barclaycard concluded that Miss S had sufficient funds remaining to make the low monthly payment required to repay the balance within a reasonable period of time. As this is the case, I'm satisfied that Barclaycard didn't just simply rely on what it was being told in this instance.

As Barclaycard provided an initial low credit limit to reflect Miss S didn't have much in the way of an existing credit history and carried out a number of checks before deciding that the payments to this limit were likely to be affordable to Miss S, I'm satisfied that what Barclaycard did before providing Miss S with her credit card was reasonable and proportionate.

I accept that Miss S says that her actual circumstances at the time were worse than what she declared and what the information Barclaycard obtained showed. I'm sorry to hear that Miss S has been unable to work and I've also thought about what she's said about the composition of her income.

But I'm satisfied that Barclaycard was entitled to rely on the funds Miss S received as income. Indeed, I don't think that it would have been fair and reasonable for Barclaycard to have automatically declined Miss S' application on the basis that her income was made up of benefits either. Instead, I would have expected it to assess whether what Miss S received was sufficient to repay what she could owe and I'm satisfied that's what Barclaycard did here.

I'd also add that whilst I'm sympathetic in relation to what Miss S has said about her condition and what this means for her spending, I don't think that Barclaycard could possibly have known about this without some form of declaration or warning as it simply wouldn't have had access to Miss S' medical records.

Given what Barclaycard's income and expenditure assessment showed, the amount of the likely monthly payments and I've not been provided with anything that clearly contradicts Miss S having had the funds to make the low payments required, I'm not persuaded that it

was unfair or unreasonable for Barclaycard to have offered Miss S her credit card. And as this is the case, I don't think that it was irresponsible for Barclaycard to have lent to Miss S.

So overall while I can understand Miss S' sentiments, I don't think that Barclaycard treated Miss S unfairly or unreasonably when providing her with her credit card. And I'm not upholding Miss S' complaint. I appreciate this will be very disappointing for Miss S. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Miss S' complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 4 January 2024.

Jeshen Narayanan
Ombudsman