

The complaint

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

What happened

Mr J complains that loans agreed for him by Barclays dating back to 2006 were irresponsibly lent to him. He says Loan 2 (below) is the culmination of irresponsible lending by Barclays since then. Another ombudsman has already decided that our jurisdiction doesn't allow us to look at lending earlier than 2016 as it took place too long ago.

	Date	Amount	Term	Monthly repayment	Total payable
Loan 1	5 Sept 2016	£1,000	5 years	£23.25	£1,395
Loan 2	22 Sept 2016	£24,000	10 years	£315.09	£37,810.80

Mr J says Loan 2 was offered over a 10 year period, equated to around 80% of his annual salary at the time and the total interest payable on it was 59% of the total amount borrowed. He said it was very easy to apply for the loans through his banking app.

Barclays looked into his complaint. It said the loans were preapproved for Mr J based on his internal and external credit rating. The paperwork provided following his application made it clear he should consider whether he could afford the loan and set out the terms of it. Mr J signed the paperwork accepting the loans. It rejected his complaint.

Mr J didn't accept what Barclays said and referred his complaint to our service. One of our investigators looked into it. He said Loan 1 had been settled within the withdrawal period, so Mr J paid no interest. Our investigator didn't look into that loan any further. But he felt that Barclays ought to have done more to verify Mr J's income and expenditure before agreeing to Loan 2. However, he said if Barclays had asked further questions, it would have seen Mr J had sufficient disposable income to cover the repayments. He felt Barclays reached a reasonable decision to lend to Mr J.

Barclays accepted what our investigator said, but Mr J didn't. As there was no agreement, the complaint has been 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.

For the same reason as our investigator, I'll not consider Loan 1. Instead I'll focus solely on Loan 2.

We've set out our approach to complaints about irresponsible and unaffordable lending on our website – including the key relevant rules, guidance, good industry practice and law. I've considered this approach when deciding this complaint. I think there are key questions I need to consider in order to decide what is fair and reasonable in the circumstances of this complaint:

- Did Barclays carry out reasonable and proportionate checks to satisfy itself that Mr J was in a position to sustainably repay the loan?
- If not, what would reasonable and proportionate checks have shown at the time?
- Did Barclays make a fair lending decision?
- Did Barclays act unfairly or unreasonably towards Mr J in some other way?

Barclays had to carry out reasonable and proportionate checks to satisfy itself that Mr J would be able to repay the loan sustainably. It's not about the bank assessing the likelihood of it being repaid, but it had to consider the impact of the loan repayments on him.

There is no set list of checks that it had to do, but it could take into account several different things such as the amount and length of the loan, the amount of the monthly repayments and the overall circumstances of the borrower.

Did Barclays carry out reasonable and proportionate checks?

Barclays has shown it took into account Mr J's income – which it adjusted to £2,188 (less than he'd received into his account in the months leading up to the application) – and his expenditure including things like his mortgage, council tax, utilities and external credit. It reviewed his credit file, noting approximately £5,350 unsecured credit. He was up to date with all his payments to Barclays and other creditors. It calculated that he had sufficient disposable income to sustainably repay the loan.

Mr J had applied for a large loan over a long period of time. So I think it would have been reasonable for Barclays to accurately assess his income and expenditure, perhaps by looking closely at his bank statements. Mr J banked with Barclays so it would have been straightforward to do so. I've seen nothing to suggest it did. It follows that, due to the size and term of this loan, I don't think the bank carried out reasonable and proportionate checks.

What would reasonable and proportionate checks have shown at the time? Did Barclays make a fair lending decision?

I've already said that I think the bank should have taken further steps to verify Mr J's income and expenditure, and it could have done so perhaps by looking closely at his bank account.

But if Barclays had taken a closer look, I don't think it would have reached a different decision. I've looked closely at the statements for a few months prior to the loan being agreed. They show his income was slightly higher and his expenditure was in line with the figures Barclays used. There are no particular signs of financial pressure or difficulties and I've seen nothing to suggest that the repayments to the loan would have been unsustainable for Mr J.

It's evident from his statement, that Mr J used most of the loan to repay debts which he'd have had to repay in any event. It's likely he'd have been paying interest on those debts, and consolidating them into one affordable repayment, is likely to have been of benefit to him.

While I appreciate it will come as a disappointment to Mr J, on balance, for the reasons I've set out, I think Barclays reached a fair decision to lend to him.

Did Barclays act unfairly or unreasonably towards Mr J in some other way?

I've carefully thought about all the evidence provided by each party to this complaint. Having done so, I don't think Barclays has acted unfairly or unreasonably towards Mr J in some other way.

If Mr J now finds himself in financial difficulty, I'd encourage him to talk to Barclays to discuss an affordable repayment plan. And I'd remind Barclays of its obligation to treat customers in financial difficulty fairly.

My final decision

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

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

Richard Hale
Ombudsman