

The complaint

Mr S complains that Barclays Bank UK PLC irresponsibly approved his loan application.

What happened

Mr S says he took out a Barclays loan in May 2018 for £50,000. He says appropriate checks were not carried out and the loan was unaffordable. Mr S says his income was £545 a month yet the loan repayments were over £900 a month. He would like the loan written off and his credit file amended as the loan has now defaulted.

Barclays says Mr S was pre-approved for the loan which he said was for home improvements. It says it checked Mr S's credit file which didn't show any adverse information and has looked again at Mr S's account statements which it says shows income from a number of sources. Barclays says it has calculated Mr S's income at over £4,000 a month with outgoings at just over £1,500 which it says shows the loan was affordable.

Mr S brought his complaint to us, and our investigator upheld it. She recommended any interest be refunded to Mr S or deducted from the balance owed. She also thought Barclays hadn't carried out appropriate checks as there were payments into the account that were not income and cancelled out by payments out. The investigator thought it clear Mr S's expenditure exceeding his income.

Barclays doesn't accept that view and says Mr S appeared to be a director of a business and says he made required payments for about a year after the loan was taken out.

Mr S accepts the investigator's view.

My provisional decision

I issued a provisional decision on this complaint and said that I didn't uphold this complaint, but I hoped both sides will provide further information.

I explained that lenders and credit providers must carry out appropriate checks on any lending or credit application. Those checks will of course vary. This was a loan for £50,000 which I accepted was a relatively significant amount and so thought that Barclays ought to have carried out further checks on this application. But I didn't think it likely those further checks would have made a difference to the lending decision.

I could see that Barclays did carry out checks on Mr S's credit file in 2018 and concluded that there was no adverse information recorded on it. I also looked at Mr S's credit file and I agreed that there was no adverse information recorded such as arrears, defaults or County Court Judgements. So, I didn't think Barclays made a mistake or acted unfairly by pre-approving a loan in principle for Mr S.

I said the key issue here is Mr S's income and if it was enough to maintain the repayments. This was a loan which was largely pre-approved and so it was not clear what checks Barclays carried out before approving the loan. I thought it would have been appropriate as

the investigator concluded to carry out further checks to ensure affordability. I hoped Barclays would provide the application data if available.

I said I had to consider what those further checks would have revealed and thought it likely that Barclays would have looked closely at Mr S's account statements in the six months before the loan application. I appreciated that the investigator concluded that Mr S's income was less than his outgoings, but I didn't think the account statements showed that.

I looked carefully at Mr S's account statements in the six months before the loan application. I appreciated that he received a credit for housing benefit but said there does appear to be multiple income sources such as "S...BS" and what is described as "rent money". The overall picture of the account appears to show that income exceeded expenditure and that the account was well run with normally a positive account balance at the month end. For example, the account received over £12,000 in March 2018 and even with expenditure still retained a balance of over £2,000.

I didn't think it clear what the payments in or out of the account were for. It seems they were to Mr S's business or businesses, but I couldn't fairly have expected Barclays to have known that. And I couldn't see what further checks it could have carried out here as I was satisfied that on the face of it his accounts showed an income far in excess of what Mr S says his income was. I thought it likely that Mr S may have been an employee of a business he effectively controlled and a director of a different business. I said it was not clear if the credit into Mr S's bank account from "S..BS" was from a director of the business he was employed by. I thought Mr S could confirm that and provide details of his relationship with that person and what the payments were for. I said that as I didn't think Barclays would have made a mistake by concluding such regular payments were part of Mr S's income.

I was satisfied that on the face of it the only real further checks I would have expected Barclays to have carried out would have been to check Mr S's income, which it could have done by looking at his account statements. I was also satisfied that those checks would have shown an income that exceeded Mr S's expenditure. I appreciated that the nature of some of the payments in and out of the account were not clear and it may have been Mr S was using his personal account for some business use. But I said I wouldn't have expected Barclays to have carried out such an in-depth analysis of the account as the key point was that it was well run with a positive balance.

I could see that Mr S maintained required loan repayments for some time after the loan was taken out which I thought suggested on balance that it was affordable at the time, but Mr S's circumstances later changed.

Overall, I accepted that Barclays ought to have carried out further checks on this loan application due to its size. But I had not seen any evidence about what those checks would have shown that would have led it to conclude the loan was unaffordable. I made clear the only check it could have reasonably carried out would have been to have confirmed over the six-month period what income Mr S was receiving. Mr S banked with Barclays and so it would have seen his account statements and even after deducting benefits, showed a healthy account balance each month that could have supported the loan repayments.

I didn't think it matters that Mr S may well have given Barclays an incorrect reason for the loan but accepted that Mr S's account may well have mixed his business and personal affairs. I said Mr S could clarify what the exact position was and what the nature of the other businesses were, as it seems he was, according to the bank statements, loaning a company money which was in turn was paying him for his expenses. I also thought Mr S can confirm if the businesses in question had bank accounts and who had access to them or responsibility for them. And no doubt confirm if he received an income or benefit from them

I said it follows that, as I thought provisionally the loan repayments were affordable, I couldn't fairly order that any interest paid by Mr S be deducted from the balance he owes. I would not in any event order that the loan be written off as Mr S clearly had the benefit of the money.

Barclays hasn't provided any further information.

Mr S doesn't accept my provisional view and says in summary he has provided evidence of his income by providing wage slips. He says his wife's income from the business was paid into his account and has two companies one of which paid him a salary. Mr S says he took directors loans and that his business partner destroyed his business.

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 done so I have come to the same overall view that I reached in my provisional decision and for the same reasons.

I appreciate Mr S has provided wage slips but I have made clear that I'm satisfied that Mr S's financial position is far more complicated than that. I'm also satisfied that any further checks Barclays would have carried out on Mr S's bank statements would have shown a far greater income and that it would show an account well run with a positive balance each month. I think it clear Mr S had interests in different companies and has told us that due to a business dispute he was left with a debt of £260,000. I think that suggests on balance a business or businesses that were generating at some point significant turnover which Mr S may have benefited from. And that it appeared it was the actions of a business partner that led to financial difficulty rather than the loan decision.

Overall, for the reasons I have explained, I think Barclays ought to have carried out further checks on the application but that it unlikely those checks would have prevented the lending decision.

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 S to accept or reject my decision before 21 September 2023.

David Singh
Ombudsman