

The complaint

Mr B complains that Barclays Bank UK PLC, trading as Barclaycard, lent to him irresponsibly.

What happened

In April 2018 Mr B opened a credit card account with Barclaycard. He had an account limit of £9,200 which remained the same over the life of the account to date.

Mr B says that Barclaycard shouldn't have lent to him because he couldn't afford it. He says if Barclaycard had done checks on him which it should have done it would have realised he had a lot of debt.

Barclaycard initially said that it did all the necessary and proportionate checks, and these showed that Mr B could afford the credit that was extended to him. However, our investigator reviewed Mr B's complaint and considered that this wasn't the case. Our investigator upheld Mr B's complaint and directed Barclaycard compensate Mr B by refunding any interest and charges Mr B had incurred during the course of the credit relationship. Barclaycard accepted this outcome.

While both parties agreed that Mr B's complaint should be upheld, Mr B was not happy with the level of compensation directed. He thought that he should be awarded compensation in excess of the interest and charges. He said he had really suffered as a result of the decision to lend to him.

As Mr B disagreed with the redress, his complaint has been passed to me to make 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.

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 considering Mr B's complaint.

Both parties agree with the substance of the investigator's view – that Barclaycard should not have provided the credit to Mr B and that he lost out as a result. I do not propose to repeat the reasons for this in detail other than to explain that Barclaycard didn't take the reasonable steps needed to ensure it didn't lend irresponsibly. Barclaycard should have carried out proportionate checks to make sure Mr B could afford to repay what he was being lent 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, Mr B's borrowing history and his income and expenditure.

In reviewing the checks that were done the investigator concluded that Barclaycard didn't properly take into account information it had about additional borrowing Mr B had elsewhere and how much income he had to make sustainable repayments on that borrowing and the additional lending he was seeking from Barclaycard. I agree with this assessment, as now does Barclaycard.

When a complaint is upheld, this service normally expects the business to put the complainant in the position they would be now if the problem hadn't happened.

In Mr B's case, our investigator acknowledged this wouldn't be entirely possible. Mr B had already spent the money that he had been lent and so he had had the benefit of those funds to buy goods or services. Our investigator thought, however, that it was fair that Mr B be refunded the interest he paid on the lending and also that any charges, for example for late payment or going over his credit limit, be refunded. This would reduce the amount that Mr B still owes on the credit card.

Mr B wasn't happy with this proposed settlement. He explained that he had experienced mental health problems and had had to enter into a debt management plan because his finances were so poor. He feels that it would be fair to reduce his balance further.

I've considered this very carefully. There is no dispute that Mr B has had significant debt issues and is still experiencing problems related to this. I am very sorry to hear Mr B has experienced mental health problems as a result.

I can understand that cumulatively Mr B was under a lot of pressure because of his overall financial situation. I also have to consider the specific impact of the mistake by Barclaycard on Mr B, rather than 'punish' Barclaycard for the mistake itself. Mr B was in debt to a lot of businesses, so it is impossible to tell what the specific impact Barclaycard's decision to lend to him may have had on Mr B. Barclaycard has pointed out that Mr B transferred a balance from an interest-charging credit card to Barclaycard so he had the benefit of 0% interest on a large sum for a considerable period. It is not clear to me that but for Barclaycard's decision to lend to Mr B he would have had better mental health or a much different financial position. I also have to consider that Mr B continued to use the credit card knowing he would have difficulty paying it off.

On balance, I do not think it is fair to direct Barclaycard to pay compensation in addition to that already directed. This is because I am not satisfied that without Barclaycard's actions in lending to Mr B, Mr B would not have experienced the problems he did.

Putting things right

As I don't think Barclaycard ought to have opened the account, I don't think it's fair for it to be able to charge any interest or charges under the credit agreement. But I think Mr B should pay back the amounts he has borrowed because he has had the benefit of that spending. I understand that Mr B's account was sold on to a third party and is still outstanding. Therefore, Barclaycard should:

1. Work out all of the interest and charges Mr B has paid to date.
2. If the borrowing is still in place, Barclaycard should reduce the outstanding capital balance by the amount calculated at step 1.
3. If, after step 2, there remains an outstanding capital balance, Barclaycard should ensure that it isn't subject to any historic or future interest or charges. But if step 2 leads to a positive balance, the amount in question should be given back to Mr B and

- 8% simple interest should be added to the surplus.
4. Barclaycard should remove any adverse information recorded on Mr B's credit file as a result of the interest and charges.

Barclaycard has already confirmed that step 4 does not apply in Mr B's case because the total of the interest and charges did not cause it to record adverse information on Mr B's credit file.

*HM Revenue & Customs may require Barclaycard to deduct tax from this interest. If it does, the business must give Mr B a certificate showing how much tax has been taken off if he asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

My final decision

I uphold Mr B's complaint about the decision to provide him with credit and I direct Barclays Bank UK PLC trading as Barclaycard to pay compensation as directed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 13 December 2022.

Sally Allbeury
Ombudsman