

The complaint

Mr I complains that Barclays Bank UK PLC trading as Barclaycard unfairly provided him with a credit card account which was unaffordable for him.

What happened

In July 2017, Mr I took out a credit card account with Barclaycard. He was provided with an initial credit limit of £400. The credit limit hasn't been increased.

Mr I complained to Barclaycard in 2023, and said he thought the credit card had been irresponsibly provided to him as it was clearly unaffordable. Mr I says that Barclaycard should've checked his credit report properly. Had it done so, it would've seen he had a number of credit accounts open with considerable credit in use.

Barclaycard reviewed Mr I's complaint. It explained that it felt it had carried out proportionate checks before providing Mr I with credit. Based on the information it gathered before it agreed to lend to him, it didn't think it had provided him with credit irresponsibly.

Mr I says he didn't receive a response from Barclaycard, so he brought his complaint to this service. The complaint was reviewed by an investigator who thought Barclaycard had carried out proportionate checks before providing him with a credit card and the decision it made to lend to him was fair.

Mr I didn't agree with the investigator's findings, and mostly repeated his earlier points. As an agreement couldn't be reached, the case has been passed to me to review afresh and make 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.

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The rules and regulations in place at the time Mr I was provided with the credit card, required Barclaycard to carry out a reasonable and proportionate assessment of whether Mr I could afford to repay what he owed in a sustainable manner. This is sometimes referred to as an 'affordability assessment' or 'affordability check'.

The checks had to be 'borrower' focused. This means Barclaycard had to think about whether repaying the credit sustainably would cause difficulties or adverse consequences for Mr I. In other words, it wasn't enough for Barclaycard to consider the likelihood of it getting the funds back – it had to consider the impact of any repayments on Mr I.

Checks also had to be 'proportionate' to the specific circumstances of the lending. In general, what constitutes a proportionate affordability check will be dependent on a number

of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, any indications of vulnerability or financial difficulty) and the amount/type/cost of credit they were seeking. I've kept all of this in mind when thinking about whether Barclaycard did what it needed to before agreeing to lend to Mr I.

From the information I've been provided with, Barclaycard asked Mr I for information about his personal situation and his income. Mr I told Barclaycard that his income was around £19,410 a year. Barclaycard said it then checked Mr I's income using a third party credit reference agency. And, the results suggested Mr I's income was likely around £1,363.83 per month, which is broadly in line with what Mr I told Barclaycard. Barclaycard also used a modelling system to determine likely expenditure figures for Mr I – which would take into account his rent, council tax, utilities and other essential expenditure. Barclaycard assessed Mr I's monthly expenditure as £493.88, with a likely monthly disposable income of £782.95.

Barclaycard also considered Mr I's existing credit commitments. Its credit check showed that Mr I had 9 active accounts – six credit cards, a bank account, a loan and a mobile phone contract, with total balances outstanding of £1,759, which I don't think would likely to have been unmanageable based on the checks Barclaycard carried out on Mr I's income and expenditure.

Taking all this into consideration, I'm persuaded that the checks Barclaycard carried out were proportionate and I don't think it was unreasonable for it to rely on the information it had found out, which suggested that Mr I would likely be able to sustainably afford the credit card repayments at a credit limit of £400.

I can see Mr I has sent this service screenshots of part of his credit report in the months leading up to his application for the credit card. He says this shows that he was reliant on payday loans which should have indicated to Barclaycard that he was struggling financially – and he's said he had a missed payment too. While taking out payday loans can sometimes be a sign that someone is struggling financially, it doesn't always follow that a decision to lend was inappropriate. As is the case here, for the reasons I've already explained.

I have also seen that in the 12 months following Barclaycard's lending decision, the minimum repayments Mr I was required to make totalled £45.92 and the repayments he actually made totalled £805.27. While this happened after the lending decision, and so Barclaycard couldn't have foreseen at the point of lending how Mr I would manage the account, I think this shows that Mr I could manage the account well and pay well over the minimum amount required. So I can't fairly say that Barclaycard's decision to lend to Mr I was unfair or unreasonable.

Whilst I'm sorry to hear of the financial difficulties Mr I says he had in repaying the debt, I'm afraid I won't be upholding this complaint. I'm persuaded that the checks Barclaycard carried out in the circumstances of this particular case were proportionate and the result of the checks suggested that Mr I would be able to afford the credit it was arranging for him. It follows that I don't think Barclaycard treated Mr I unfairly in approving Mr I's application for a credit card.

My final decision

For the reasons set out above, I don't uphold Mr I's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr I to accept or reject my decision before 26 February 2024.

Sophie Wilkinson
Ombudsman