

Complaint

Mrs P has complained about an overdraft that Barclays Bank UK PLC (“Barclays”) provided to her and then increased the limit on.

She says the overdraft she was provided with, which then had its limit increased, was unaffordable for her given she already had other loans and overdrafts at the time.

Background

Barclays initially provided Mrs P with an overdraft that had a limit of £1,000.00 in September 2021. The limit was increased to £5,000.00 in October 2021.

One of our investigators reviewed what Mrs P and Barclays had told us. And she thought Barclays hadn’t done anything wrong or treated Mrs P unfairly in relation to providing the overdraft or increasing the limit. So she didn’t recommend that Mrs P’s complaint be upheld.

Mrs P 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 Mrs P’s complaint.

Having carefully considered everything, I’ve decided not to uphold Mrs P’s complaint. I’ll explain why in a little more detail.

Barclays needed to make sure it didn’t lend irresponsibly. In practice, what this means is Barclays needed to carry out proportionate checks to be able to understand whether Mrs P 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.

I understand that Barclays agreed to Mrs P’s initial application after it obtained information on her income and carried out a credit search. And the information obtained indicated that Mrs P would be able to make the monthly repayments due for this overdraft. It is also suggested that Mrs P appears to have been approved for a maximum of £5,000.00 at the

time of her initial application and that Mrs P decided to take up the offer of the full amount in October 2021.

On the other hand Mrs P says that she shouldn't have been lent to or had her limit increased.

I've considered what the parties have said.

What's important to note is that Mrs P was provided with a revolving credit facility rather than a loan. And this means that Barclays was required to understand whether limits of £1,000.00 and £5,000.00 could be repaid within a reasonable period of time, rather than all in one go. It's fair to say that overdrafts with limits of £1,000.00 and £5,000.00 would have required more than small payments in order to clear the full amount owed within a reasonable period of time.

Barclays has not provided any details of the credit checks that it carried out. Nonetheless, I've considered the information Mrs P has provided in terms of her credit report and I have considered this in order to get an idea of what Barclays is likely to have had an idea of at the respective times.

Having considered the information provided, I've not seen any defaulted accounts, missed payments, short-term lending or high-cost borrowing. I appreciate that Mrs P did have some existing debts, including a loan with Barclays itself, but whilst I appreciate that Mrs P won't agree with this, I nonetheless do not consider that what was on Mrs P's credit file itself meant that Barclays shouldn't have provided her with her overdraft.

Furthermore, as Mrs P was an existing Barclays current account holder, I've looked at her ledgers in the period leading up to her application. I think that it is fair to say that Mrs P's account ledgers not only showed that she had a credit balance each month, but the amount left each month was sufficient to clear limits of £1,000.00 and £5,000.00 within a reasonable period of time.

I appreciate that Mrs P says that the only reason she had a credit balance at this time was because she sold her house earlier in 2021 and the surplus funds from this were in her account until they were used up. That may be the case, but I wouldn't expect Barclays to have carried out the level of forensic analysis that would have covered this level of detail, for such borrowing.

So, while Mrs P has gone to great lengths to complete her own income and expenditure assessment, it's difficult for me to conclude that Barclays ought to have known about what this showed, or that Mrs P would have insufficient funds to clear the overdraft within a reasonable period of time, when the activity on her Barclays account suggested that she did have sufficient funds to do so.

I fully accept it's possible that Mrs P's position might have been worse than what it looks like on the information on her account ledgers, or that it worsened after the credit limit increases took place. I know that Mrs P has referred to other overdraft debt and that Barclays went on to send her repeat overdraft usage letters on this facility.

But it wouldn't be fair and reasonable for me to use hindsight here, or say that Barclays should have known this was the case at the time it was making its lending decisions. This is especially as the available information indicates that Mrs P could repay what she could owe at the time the lending decisions were made.

For the sake of completeness, I've also considered the position in relation to Mrs P's overdraft usage once the facility was granted. I don't think that simply sending Mrs P letters about her repeat overdraft usage was enough. However, I've seen that Barclays did eventually offer Mrs P help to reduce her overdraft balance. But Mrs P refused this on the basis that it would impact her credit score.

In these circumstances, it's difficult for me to say that Barclays acted unfairly as it did offer to help Mrs P reduce her overdraft in a way that was fair and reasonable. Furthermore, if Mrs P is having difficulty repaying her overdraft, I would encourage her to get in contact with and co-operate with Barclays in order that a plan can be set up and that she can reduce and then clear what she owes.

Overall and having carefully considered everything, I don't think that Barclays treated Mrs P unfairly or unreasonably when providing her with her overdraft or subsequently increasing the limit on it. And I'm not upholding Mrs P's complaint. I appreciate this will be very disappointing for Mrs P. 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 Mrs P's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs P to accept or reject my decision before 21 March 2024.

Jeshen Narayanan
Ombudsman