

## **Complaint**

Mr H has complained about a credit card and subsequent credit limit increases Barclays Bank UK PLC (trading as “Barclaycard”) provided to him. He says the credit card and the limits were provided without any real checks into whether he could afford them being made.

## **Background**

Barclaycard provided Mr H with a credit card with an initial limit of £260 in February 2010. Mr H’s credit limit was increased on five occasions until it reached £3,000.00 in October 2012 (to £400 in August 2010; to £800 in March 2011; to £1,600.00 in October 2011; to £2,500.00 in July 2012; and finally £3,000.00 in October 2012).

Mr H was also provided with credit limit increases to £4,500.00 in June 2013 and £6,750.00 in November 2018. When our investigator reviewed Mr H’s complaint, he thought that Barclaycard shouldn’t have offered the credit limit increases from June 2013 onwards to Mr H (in other words, it should never have increased Mr H’s credit limit above £3,000.00).

Barclaycard agreed with the investigator’s assessment and that it would refund all interest, fees and charges Mr H paid on balances above £3,000.00 as a result. As this is in line with what I’d tell a lender to do in the event I was to uphold a complaint about a lending decision and Mr H has accepted this part of the investigator’s findings, I’ve not looked into the circumstances behind the credit limit increases after October 2012.

The investigator’s assessment also considered what happened at the time the card was provided and the first five limit increases (in other words, what happened between February 2010 and October 2012). He thought Barclaycard hadn’t done anything wrong or treated Mr H unfairly in relation to providing the credit card in February 2010 or each time it increased the credit limit up until it reached £3,000.00 in October 2012. So he didn’t uphold this part of the complaint.

Mr H eventually disagreed with this element of the assessment - he initially accepted the resolution proposed although he says that he did so on a misunderstanding. In any event, he asked for an ombudsman to look at this part of his 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 Mr H’s complaint.

Having carefully considered everything provided, I think that what Barclaycard has already agreed to do to put things right for Mr H is fair and reasonable in the circumstances of his complaint and I’m not requiring it to do anything further. I’ll explain why in a little more detail.

Barclaycard needed to make sure it didn't lend irresponsibly. In practice, what this means is Barclaycard needed to carry out proportionate checks to be able to understand whether Mr H 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.

In the first instance it might help for me to say that Mr H hasn't been clear on whether it is only part of the investigator's assessment relating to the limit increase to £3,000.00 in October 2012 that he disagrees with, or his findings on all of the lending decisions up until that point. In any event and for the sake of completeness, I've looked at all of the lending decisions which took place up until October 2012.

Barclaycard says it agreed to Mr H's application after it obtained information on his income and carried out a credit search. And the information obtained indicated that Mr H would be able to make the low monthly repayments due for this credit card. Due to it considering that Mr H's account was being relatively well managed (and what other checks carried out showed) he was then offered the credit limit increases.

On the other hand Mr H says that all of these lending decisions were taken without there being any real checks being carried out.

I've considered what the parties have said.

*Barclaycard's decision to provide Mr H with a credit card with a limit of £260 and subsequently increase his credit limit to £400 and then £800.*

I understand that Barclaycard carried out a credit check before initially agreeing to provide this credit card. Barclaycard has been unable to provide the output of its credit check. But given this credit check was carried out a number of years ago (more than a decade), I don't find this too surprising and I've not drawn any adverse inferences from this.

What's important to note is that Mr H was provided with a revolving credit facility rather than a loan. And this means that to start with Barclaycard was required to understand whether a credit limit of £260 could be repaid within a reasonable period of time, rather than all in one go. A credit limit of £260 required low monthly payments in order to clear the full amount owed within a reasonable period of time.

The information Barclaycard has provided shows that Mr H declared that he had an annual income of £21,360.00. And I've not been provided with any clear evidence to show that Mr H's circumstances were such that I could reasonably conclude that he didn't have the funds to make the very low monthly payment, bearing in mind what he said about his salary.

Given the information Barclaycard obtained and what it offered, I'm satisfied that Barclaycard was entitled to rely on Mr M's declaration of income and what it may have seen in the credit checks which led it to determine that an initial credit limit of £260 was affordable for Mr H.

As this is the case, I'm satisfied that the checks carried out before Mr H was initially provided with his credit card were reasonable and proportionate.

As I've explained in the background section of this decision, Barclaycard increased Mr H's credit limit on two occasions so that it reached £800 in March 2011. I think it's fair to say that these limit increases were modest.

So I wouldn't have expected Barclaycard to have done too much more for these increases than it did when determining whether to initially provide the credit card. Furthermore, it looks as though Mr H was making larger payments than the minimum required and which were in excess of what was required to pay £800 within a reasonable period of time, in the period leading up to the second limit increase too.

As this is the case, I don't consider Barclaycard's actions to have been unfair or unreasonable and, for much the same reasons, my findings in relation to the first two limit increases are the same as those for when the account was originally opened.

*The credit limit increases to £1,600.00 in October 2011; £2,500.00 in July 2012; and £3,000.00 in October 2012*

Barclaycard says that it looked at Mr H external debts and his account usage. Once again, given how long ago it was, there is no longer any record of the credit checks, given the length of time since the credit limit increases took place. Again I don't think this is unreasonable and I draw no adverse inferences in relation to this.

Nonetheless, by the time of the third limit increase in October 2011, Mr H's credit limit was being increased to an amount well in excess of £1,000.00 (£1,600.00) and it was also being doubled from the previous £800 limit. So irrespective of what the credit checks may or may not have shown, I would have expected Barclaycard to have found out more about Mr H's expenditure (particularly about his regular living expenses) before providing this and any further credit limit increases.

As Barclaycard didn't obtain this information, I've considered the information Mr H has provided with a view to deciding what it might have found out about Mr H's regular living costs had it asked him about this. To be clear this isn't the same as asking Mr H for his bank statements as, given the amounts involved here, I don't think that asking for this information would have been proportionate in the circumstances.

Having carefully thought about matters, I don't think that Barclaycard would have made a different decision, when offering the credit limit increases, even if it had asked Mr H for more information. I say this because the information Mr H has provided about his finances at the time appears to show that when his committed regular living expenses and existing credit commitments were deducted from the funds going into his account, he did have the funds, at the time at least, to sustainably make any payments that would be due as a result of these credit limit increases.

In reaching this conclusion, I've thought about what Mr H has said about it being the case that he was offered a loan at the time that his credit limit was increased to £3,000.00. But Mr H wasn't offered a loan in the period leading up to the limit increase to £3,000.00 in October 2012.

Mr H offered a loan in May 2013. And this was just before the credit limit increase to £4,500.00 was offered in June 2013. Barclaycard has already agreed to compensate Mr H for the June 2013 limit increase and I can't see how it could have been aware of a loan that

was going to be provided some seven months after October 2012 when it was deciding whether to offer Mr H a limit increase to £3,000.00 at this stage.

It's possible that Mr H's position might have been worse than what it looks like, from the information he's provided, at the time of the October 2011, July 2012 and October 2012 limit increases. And I know that Barclaycard has accepted that Mr H's position was worse by June 2013 and the time this credit limit increase (as well as the subsequent one) took place. But as I've explained, it has already agreed to compensate Mr H for this.

It wouldn't be fair and reasonable for me to now use hindsight here, or say that Barclaycard should have known that this would happen in the future. This is especially as the available information indicates proportionate checks (rather than a forensic analysis of Mr H's bank statements) would more likely than not have shown that Mr H could sustainably repay what he could owe at the time the lending decisions between October 2011 and October 2012 were made.

So overall while I can understand Mr H's sentiments, I don't think that Barclaycard treated Mr H unfairly or unreasonably when providing him with his credit card in February 2010 or subsequently increasing his credit limit until it reached £3,000.00 in October 2012.

As this is the case, I'm satisfied that what Barclaycard has already agreed to do to put things right for Mr H is fair and reasonable in all of the circumstances and I'm not requiring to do anything further.

I appreciate this will be very disappointing for Mr H. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

### **Fair compensation – what Barclaycard needs to do to put things right for Mr H**

Having carefully considered everything, I think that it would be fair and reasonable, in all the circumstances of Mr M's complaint, for Barclaycard to put things right in the following way (which it has already agreed to do):

- rework Mr H's account to ensure that from June 2013 interest is only charged on the first £3,000.00 outstanding - to reflect the fact that the sixth credit limit increase should not have been provided. All late payment and over limit fees should also be removed;
- if an outstanding balance remains on Mr H's account once all adjustments have been made if Barclaycard is in the position where it owns this debt, it should contact Mr H to arrange a suitable repayment plan for this. If it considers it appropriate to record negative information on Mr H's credit file, it should backdate this to when it shouldn't have provided the additional credit in question in the first place;
- if the effect of all adjustments results in there no longer being an outstanding balance, then any extra should be treated as overpayments and returned to Mr H along with 8% simple interest† on the overpayments from the date they were made until the date of settlement. If no outstanding balance remains on Mr H account after all adjustments have been made, then Barclaycard should remove any adverse information it (not any third party) has recorded from Mr H's credit file.

† HM Revenue & Customs requires Barclaycard to take off tax from this interest. Barclaycard must give Mr H a certificate showing how much tax it has taken off if he asks for one.

### **My final decision**

For the reasons I've explained, I'm satisfied that what Barclays Bank UK PLC (trading as "Barclaycard") has already agreed to do for Mr H is fair and reasonable in all the circumstances of the complaint. And I'm not requiring it to do anything further.

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

Jeshen Narayanan  
**Ombudsman**