

The complaint

Mr M complains that Barclays Bank UK PLC provided him with a loan that was unaffordable.

What happened

I previously issued my provisional decision on this case. That's because I intended to come to a different outcome to the Investigator, so I wanted to give both parties the chance to respond with any thing else they wanted me to consider before I came to my final decision on the matter.

I have copied my provisional decision below, which also forms part of this final decision.

"In April 2017, Mr M took out a loan with Barclays. The principal loan amount was £12,100 to be repaid over five years at £303.56 a month.

Mr M says the loan was unaffordable for him. He said that at the time of applying for the loan he had many defaults showing on his credit file alongside County Court Judgements (CCJ). Mr M says he repeatedly had to borrow more to pay the debts and the interest which ultimately led to the account being terminated and sold on. Mr M says this situation has caused him a severe amount of stress.

Barclays responded to Mr M's complaint, but it said it hadn't done anything wrong when it provided him with the loan. It said that when it carried out an income and expenditure assessment, it showed that Mr M had sufficient disposable income to be able to afford the loan. Mr M remained unhappy with Barclays' response and so he referred the matter to this service.

An Investigator considered what both parties had said but they didn't uphold Mr M's complaint. They felt that Barclays' decision to lend to Mr M had been fair – and they didn't think Barclays needed to do anything to put things right.

Mr M didn't agree with the Investigator's view, and so the complaint has been passed to me to decide on the matter.

What I've provisionally 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.

The rules and regulations in place at the time Mr M was provided with the loan, required Barclays to carry out a reasonable and proportionate assessment of whether Mr M 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 Barclays had to think about whether repaying the credit sustainably would cause difficulties or adverse consequences for Mr M. In other words, it wasn't enough for Barclays to consider the likelihood of it getting the funds

back – it had to consider the impact of any repayments on Mr M.

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 Barclays did what it needed to before agreeing to lend to Mr M.

Barclays has provided me with some information it said it used to base its lending decision on. It said this information is taken from “the data we hold on loan applications including internal and external account information and information held with Credit Reference Agencies”.

From this information, I can see that Barclays found that Mr M’s income was £1,954 a month. It has also found that Mr M’s expenditure figures for his housing costs, council tax and utilities was £664.37. Barclays used the figure of £408 a month as to what Mr M was already paying out for other credit cards. And it said his essential expenditure was £540.

Barclays hasn’t explicitly said where it got these figures from – it isn’t clear if they’ve come directly from Mr M as part of the application process or from a modelling system to determine likely expenditure figures or from what it knew about Mr M’s income and expenditure because Mr M also banked with Barclays. Based on the information it gathered at the time, I can see that it found that after the loan repayment, it thought Mr M would have £38.07 a month left over.

I asked Barclays to show me what checks it carried out on Mr M to show how he was managing his external accounts. It provided me with minimal information. However, from what it sent I can see it found that Mr M had unsecured revolving credit balances of £9,550. It also noted that Mr M had adverse information showing on his credit file – including several defaults with other creditors. Barclays explained that he was managing his finances reasonably well when he made the application for the loan. And the defaults wouldn’t necessarily mean it would reject the application.

It’s certainly arguable that some of the information Barclays provided could be clearer. But from the information I have seen, the checks it did carry out presented that it was unlikely this loan was affordable for Mr M.

Using the figures that Barclays had available to it at the time it provided the loan, it determined that Mr M would have only had around £38.07 a month left over after he had made payments for essential expenditure and the loan – which I don’t think would have been a sufficient amount to have available if something were to go wrong, or for any unexpected expenses. As a result, I don’t think the lending was affordable, and I think Barclays needs to take further action to put things right for Mr M.

Putting things right

To put things right for Mr M, Barclays should:

- Rework the loan to remove any interest so only the amount borrowed is left to be repaid – then remove any payments Mr M made to the loan from this. If Mr M has then repaid the balance, anything extra should be treated as overpayments. Any overpayments should be refunded.

- *Add interest at 8% per year simple* on overpayments, if any, Mr M made from the date he made them, to the date of settlement.*
- *Once the loan has been repaid, remove any adverse information from Mr M's credit file.*

**HM Revenue and Customs requires Barclays to deduct tax from the interest payment referred to above. Barclays must give Mr M a certificate showing how much tax it has deducted if he asks them for one."*

Mr G responded to say he accepted the provisional decision. But added that Barclays said in relation to his previous complaint that it couldn't buy back to loan that had been sold onto a debt purchaser. And so he didn't now know how to proceed.

Barclays didn't respond by the deadline.

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.

Given that Mr G accepted the outcome, and Barclays didn't provide me anything else it wanted me to consider, I see no reason to depart from the findings in my provisional decision. However, I have amended the redress slightly to reflect the comments Mr G has made.

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- Add interest at 8% per year simple* on overpayments, if any, Mr M made from the date he made them, to the date of settlement.
- Once the loan has been repaid, remove any adverse information from Mr M's credit file.

As Barclays has sold the debt to a third party, it should arrange to either buy back the debt from the third party or liaise with them to ensure the redress set out above is carried out promptly.

**HM Revenue and Customs requires Barclays to deduct tax from the interest payment referred to above. Barclays must give Mr M a certificate showing how much tax it has deducted if he asks them for one.*

My final decision

For the reasons set out above, I uphold Mr M's complaint. I order Barclays Bank UK PLC to put things right for Mr M by doing what I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 5 April 2024.

Sophie Wilkinson

Ombudsman