

The complaint

Ms J complains that Barclays Bank UK PLC, trading as Barclaycard ("Barclaycard"), irresponsibly granted her a credit card she couldn't afford to repay.

What happened

In June 2013 Ms J entered into an agreement with Barclaycard to have access to credit by way of a credit card account. The account had an initial credit limit of £800. There then followed three credit limit increases: in January 2014 to £1,200, in December 2015 to £3,600 and finally in August 2016 to £4,000.

Ms J got into difficulty with repaying the account in 2022. In September 2022 the account was placed into default. The outstanding debt was then passed on to a third party in December 2022.

Ms J says that Barclaycard acted irresponsibly when it granted her the account and went onto increase her credit limits, pushing her into further debt.

Barclaycard said it carried out a reasonable and proportionate assessment to check Ms J's financial circumstances before granting her the opening credit and the credit limit increases that followed.

In my provisional decision dated 31 May 2024 I explained why I wasn't intending to uphold this complaint. Essentially, having looked at the available evidence and information, I didn't consider that Barclaycard had acted unfairly in agreeing to lend to Ms J and then go on to increase her credit limit. This was based on what I saw about her financial circumstances and the way she was managing her credit card account. I set out an extract below:

"Account opening

Before opening the account I think Barclaycard gathered a reasonable amount of evidence and information from Ms J about her ability to repay. I say this because it completed a credit check that showed she had a good credit history with no recent adverse markings on her credit file, such as late payments or defaults. It also used a credit reference agency to help verify Ms J's likely income and expenditure, based on her account turnover. I'm satisfied that Barclaycard was entitled to rely on what Ms J had told Barclaycard about her income and what it found in the credit checks in order to decide on the opening credit limit. However, just because I think it carried out proportionate checks, it doesn't automatically mean it made a fair lending decision. So, I've thought about what the evidence and information showed.

Given the level of opening credit, I think the information Barclaycard found as a result of its checks – checking her credit file and taking steps to verify her income and expenditure – provided enough information to demonstrate that £800 was likely to be affordable. If Ms J were to use up the full limit it's likely she would have had enough disposable income to continue making her repayments in a sustainable way.

I've seen from her bank account statements that Ms J was making consistent use of her £1,450 overdraft at this point. This was a graduate overdraft and therefore didn't attract any interest or fees. Whilst overdraft usage is often an indicator of potential financial difficulty, I have to consider it in the specific context of each complaint. Ms J had employment income coming in at this point and so was able to rely on the benefit of having a free overdraft whilst meeting her monthly outgoings.

So I don't consider Barclaycard made an unfair decision to grant Ms J the credit.

First credit limit increase

The first credit limit increase was granted in January 2014, increasing the credit limit to £1,200. I think it's fair to say that this was a relatively modest increase.

Barclaycard has said it relied at least in part on what it already knew about the way Ms J had been managing her account as well as her payment history. Barclaycard also once again used information from a credit reference agency to get an indication of her income and account turnover. At this point she owed around £2,000 in other credit with no apparent issues with meeting the required repayments.

I wouldn't have expected Barclaycard to have done too much more for this increase than it had when deciding whether to initially provide the credit card. Furthermore, Ms J had been 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. One of these payments was over £200.

The bank statements I've seen show that Ms J continued to make use of her overdraft facility. It remained free of charge to her so I don't think this is necessarily unexpected. Leaving aside transfers between her own accounts, she was receiving a monthly income of between £1,500 and £1,900. She was managing her Barclaycard and other existing credit reasonably well and was able to meet her regular household costs, such as rent, food and utilities.

Against this background, I again don't consider Barclaycard's actions in granting the £400 increase to have been unfair or unreasonable.

Second credit limit increase

The second credit limit increase was granted in December 2015, increasing Ms J's level of credit from £1,200 to £1,600.

Barclaycard's details of her other credit usage showed she was managing it reasonably well. She had monthly credit commitments that would require sustainable repayments of around £300. The credit reference agency check was used again to verify her monthly income and establish her ongoing credit and non-credit commitments.

Ms J was meeting all her monthly payments to Barclaycard and was continuing to make payments that were mostly above the minimum. So there isn't a suggestion that she was experiencing difficulty with managing her card.

Ms J was continuing to receive broadly the same level of income at this point. She was also continuing to use her free overdraft facility – but not exceeding it. I think it's worth mentioning that she wasn't using it to the full extent as consistently as before.

This was a substantial increase to Ms J's credit with Barclaycard. So I think the checks needed to be more rigorous than for the earlier ones. But from what I've seen I can't say that there's any noticeable evidence to show or suggest that Ms J's overall financial situation was at risk of deteriorating at this point if she was granted the new credit.

I therefore think this increase was affordable for Ms J and that she would be able to repay it – if used – sustainably.

Third and final credit limit increase

The third and final credit limit increase was in May 2016, increasing Ms J's credit limit by £400 to £4,000.

Ms J was continuing to make use of the Barclaycard credit available to her. She was again making payments that often exceeded the minimum required. To repay this level of credit sustainably – based on a 5% monthly repayment – would require a £200 a month repayment. Barclaycard again applied similar checks to assess if this moderate increase would be affordable for Ms J.

Her other credit card debt was at this point minimal but she was also making payments towards a slightly higher level of loan borrowing – I note she'd taken out a new loan in May 2016. Ms J has also explained to us that this was an especially busy time for her due to an upcoming change in personal circumstances. This is reflected in activity on her bank account. She was continuing to make use of her overdraft which remained free of charge and therefore a useful resource for her during a busy period financially.

So again, I don't think this increase was granted unfairly.

All of this leads me to conclude that it's unlikely that Barclaycard would have made a different lending decision about the credit limit increases, even if it had asked Ms J for further information in order to gain a more detailed picture of her financial circumstances. I say this because from the information Ms J has given us about her finances she was able to meet her existing credit commitments and regular living expenses from the funds going into her bank account. And I've seen from her account use that she was over time becoming less reliant on the free overdraft facility, which would eventually come to an end.

It follows that I am not planning to uphold this complaint as I am satisfied that the lending was affordable and that Ms J was in a position to repay it sustainably."

Responses to my provisional decision

Barclaycard hasn't responded with any further evidence or information.

Ms J has said she disagrees with my findings. In support of that she has sent several email notifications from Barclaycard about overlimit and late payment charges that were added to her account. She has asked how against this background it could be sensible for Barclaycard to increase her credit limits.

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.

Barclaycard will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So,

I don't consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

I've looked at the information Ms J sent in following my provisional decision. To be clear, the account itself didn't fully go into default until several years later, in September 2022. Ms J didn't incur any late payment charges until after the final credit limit increase, which was in August 2016. The charges she incurred before then were for going over her credit limit. On each occasion Ms J was able to make the required payment to return to within her account credit limit. I don't consider the overlimit charges are enough to show or suggest that her financial situation was deteriorating, given what I've already said about the way she was managing her financial situation.

In making my provisional decision I looked at the information that was available to Barclaycard at the relevant times. I appreciate that Ms J's financial position may have become more stretched after she had the last credit limit increase. But this was after Barclaycard had made each of its lending decisions. It wouldn't be fair and reasonable for me to use hindsight here, or to say that it should have known that Ms J might start getting into difficulty.

It follows that I won't be changing my finding. I think each of the lending decisions Barclaycard made was fair.

I know that Ms J will again be disappointed with my finding. I am sorry that I'm not able to help her on this occasion.

I am therefore not upholding this complaint.

My final decision

For the reasons I've given above and in my provisional decision, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms J to accept or reject my decision before 15 July 2024.

Michael Goldberg
Ombudsman