

## **The complaint**

Mrs C complains that Barclays Bank UK PLC (trading as Barclaycard) was irresponsible to lend to her.

## **What happened**

Mrs C was approved for a Barclaycard credit card on 21 July 2017 with a credit limit of £2,750 which was never changed.

Mrs C says she had little disposable income at the time and several other credit accounts. She says that Barclaycard should also have seen she had a defaulted account on her credit file. Mrs C adds that the payments quickly became unaffordable leading her to take out other lending for basic living costs.

Barclaycard initially said the complaint was brought too late as it was more than six years since the credit card was approved.

An ombudsman subsequently considered the case and decided that Mrs C's complaint was made in time. Therefore, this service can now consider the merits of the complaint.

Our investigator did not recommend the complaint should be upheld. He wasn't satisfied that Barclaycard had carried out proportionate checks but couldn't conclude that such checks would have shown the lending to be unaffordable.

Mrs C responded to say, in summary, that she was actually paying her bills and debts from her overdraft rather than income and so the repayments to Barclaycard weren't sustainable.

## **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.

I need to take into account the relevant rules, guidance and good industry practice.

Bearing this in mind, in coming to a decision on Mrs C's case, I have considered the following questions:

- Did Barclaycard complete reasonable and proportionate checks when assessing Mrs C's application and credit limit to satisfy itself that she would be able to repay the credit in a sustainable way?
  - If not, what would reasonable and proportionate checks have shown?
- Did Barclaycard make a fair lending decision?

- Did Barclaycard act unfairly or unreasonably in some other way?

When Mrs C applied for the Barclaycard account, I've seen evidence to show Barclaycard checked her credit file and verified her income. These checks showed:

- Mrs C's validated income was around £1,200 per month;
- Six active credit accounts with a combined balance of £4,774:
  - Three mail order;
  - Two overdrafts;
  - One other credit card;
- An estimated disposable income of £337 per month;
- Late repayments on three of the accounts within the last seven months;

Based on the above I'm not satisfied that Barclaycard's checks went far enough because:

- A credit card is a long-term, open-ended credit facility and Barclaycard needed to ensure it was sustainably affordable;
- Mrs C was already committing a large proportion of her income to credit repayments and, including the new credit card, this meant she could struggle with other essential expenditure;
- The approved credit limit reduced the estimated disposable income to around £200;
- Late payment markers can be an indication that a consumer is already struggling financially;
- I can't see that Barclaycard verified Mrs C's rent or other expenditure;

I consider that the large credit commitment and the limited disposable income should have indicated that Barclaycard needed to better understand Mrs C's financial circumstances before it approved the lending.

So, I've had a look at Mrs C's bank statements from the time as a reasonable proxy for what proportionate checks were likely to have shown:

- Mrs C's income, including child benefit, was around £1,270 per month;
- I can see she was making credit repayments, including account fees of around £230 per month;
  - This is excluding the phone contract repayment of £58 as this was repaid prior to the credit card application;
- Mrs C was contributing roughly £400 per month towards bills – this is net of credits from the same account;
- Other regular monthly expenditure came to about £90 per month;
- The average spend on food and petrol was £240 per month.

This left Mrs C with over £300 of disposable income each month, from which she'd need to commit up to £130 per month to repay the new card.

Based on everything I've seen I find proportionate checks were likely to have indicated the new card, and limit, were sustainably affordable for Mrs C so I consider Barclaycard made a fair lending decision.

Finally, I've also considered whether Barclaycard acted unfairly or unreasonably in any other way, including whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Barclaycard lent irresponsibly to Mrs C or otherwise treated her unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

### **My final decision**

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 6 August 2024.

Amanda Williams  
**Ombudsman**