

The complaint

Miss S complains that Clydesdale Bank Plc trading as Virgin Money was irresponsible in its lending to her.

What happened

Miss S was provided with a credit card with a credit limit of £6,700, by Virgin Money in August 2022. She says the lending was unaffordable and she has incurred constant late payment charges and interest that takes her above her credit limit. She says she can't afford to buy essentials and the situation is causing her stress.

Virgin Money says that Miss S made an online application for the credit card and declared a household income of £88,000. It said it carried out a credit check and used the results from this alongside the information Miss S had provided to assess her application. It reviewed the application against its lending criteria and approved Miss S's application and assigned an affordable credit limit. It said that at the time the credit card was provided there was nothing to suggest Miss S was in financial difficulty.

Miss S referred her complaint to this service. Our investigator didn't uphold this complaint. She said that before providing the credit card, Virgin Money verified Miss S's annual income and gathered information about her mortgage payments, other credit commitments and included an amount for her living costs. She noted that there was no adverse information on Miss S's credit file.

Our investigator thought the checks carried out before the credit card was provided were reasonable. She assessed the information received through the checks and said this showed the agreement to likely be affordable for Miss S.

Miss S didn't agree with our investigator's view. She said she had a number of other debts at the time and was gambling and that further checks should have taken place before the credit card was provided.

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.

Our approach to considering complaints about unaffordable and irresponsible lending is set out on our website. I've had this approach in mind when considering what's fair and reasonable in the circumstances of this complaint.

In summary, before providing credit, lenders need to complete reasonable and proportionate affordability checks. There isn't a set list of checks a lender is required to carry out, it just needs to ensure the checks are proportionate when considering things like: the type and amount of credit being provided, the size of the regular repayments, the total cost of the credit and the consumer's circumstances.

Before providing the credit card, Virgin Money gathered information about Miss S's income and household income and verified Miss S's income. It also carried out a credit search. As this credit card was in Miss S's name, I find it reasonable that her income was relied on in the assessment rather than the household income and given the size of the credit limit being provided I think it right that Miss S's income was verified. Taking into account Miss S's verified income I think that the checks undertaken were proportionate.

While I think the checks were proportionate that doesn't necessarily mean that the lending should have been provided. Before I can decide that I need to consider whether the information received through the checks raised any concerns that Miss S might be struggling financially or that the credit limit might not be sustainably affordable for her.

I have looked through the credit check results, and these record no defaults, judgements or delinquent accounts. However, while no accounts are recorded as being opened in the previous three months, a high number of accounts are recorded as opened in the previous 12 months and I think it would have been reasonable to have asked about this.

Miss S has provided a copy of her credit report and also her bank statements for the months leading up to her application. While I do not think in this case Virgin Money was required to ask for copies of bank statements given Miss S's income and the credit results, I have looked at this information to provide an insight as to what might have been disclosed had Miss S been asked about her accounts.

Having looked through Miss S's credit report this shows that around the time she applied for the Virgin Money credit card she also took out other credit being another credit card and a loan. However as these are noted on the credit file for the month after the Virgin Money credit card, I cannot say that Virgin Money would have been aware of these (if they were even in place at the time). Miss S had also previously made use of short term loans. However, these were repaid and as she didn't appear to have taken out any short term loans in the months leading up to the Virgin Money application I do not find I can say that if asked about these it would have raised concerns such that further lending shouldn't have been provided.

Miss S's bank statements for the month leading up to her application show her monthly income to be above the monthly amount that was included in her application based on her annual income. Her statements support the other application information in regard to Miss S's mortgage and credit commitments. While I can see from the bank statements that Miss S was making use of her overdraft facility, having looked through these, I do not find I can say that had further questions been asked about Miss S's financial situation, these would have suggested the lending to have been unaffordable.

Therefore, on balance, I do not find that further questions would have raised concerns that meant the credit card shouldn't have been provided. Based on the information received, the lending appeared affordable and so I do not find I can uphold this complaint.

While I don't think Virgin Money was wrong to provide the lending to Miss S, as she has explained her current financial situation, we would expect Virgin Money to treat Miss S sympathetically and positively in regard to her outstanding credit facility.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 23 November 2023.

Jane Archer
Ombudsman