

The complaint

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

What happened

Mrs W was provided with a credit card account with a credit limit of £6,200 in July 2021. She says that this credit limit shouldn't have been provided as it was unaffordable and that if Virgin Money had carried out proper credit checks it would have realised this. Mrs W says that when the credit card was provided, she had a large overdraft that she couldn't clear and was using overdraft facilities on her other accounts. She said she had taken out a lot of credit within a short space of time and that had her bank statements been reviewed Virgin Money would have seen she had a problem with gambling.

Virgin Money didn't agree it had been irresponsible in its lending to Mrs W and issued a final response letter dated 18 April 2023. It said that information gained through the application process showed Mrs W had a household income of £85,000. It explained that it used a combination of factors when reviewing an application including the information provided in the application and information received from the credit reference agencies. It said based on its assessment an appropriate and affordable amount of credit was provided.

Our investigator upheld this complaint. He thought that given the size of the credit limit it would have been proportionate for Virgin Money to have verified Mrs W's financial circumstances before lending. He said that had this happened Virgin Money would have realised Mrs W was gambling heavily.

Virgin Money acknowledged that Mrs W was gambling but said that it had no reason to request Mrs W's bank statements and that in this case its normal application checks were reasonable given the size of the credit limit compared to Mrs W's income of £52,000. It said its credit check showed no adverse data and only £1,310 in unsecured debt and that Mrs W gave it no indication of having a gambling issue.

My provisional conclusions

I issued a provisional decision on this complaint. My findings are set out below.

Mrs W applied to Virgin Money for a credit card account. As part of the application, Mrs W said that she was employed with an annual income of £52,000 and that the household income was £85,000. Her monthly rent/mortgage was recorded as £500. A credit check was carried out which showed Mrs W had nine active accounts with no new accounts opened within the preceding three months. She had total unsecured debt of £1,310 and no defaults or other adverse data recorded.

Having considered the outcome of the credit check I do not find that this showed signs that Mrs W was struggling financially. I note Mrs W's comment about taking out lots of credit within a short space of time and having looked through the credit report she has provided I can see that she did take out other credit around the time of her application to Virgin Money.

But as the new credit wasn't shown on her credit file at the time Virgin Money carried out its checks and the credit check showed no new accounts opened in the previous three months, I cannot say it should have been aware that Mrs W was taking on more debt at the time.

Given the size of the credit limit I think that it was important that Mrs W's income was verified, and I can see that this happened. Virgin Money also confirmed that it was Mrs W's income (not the household income) that was used in its assessment, and I think this is reasonable.

Based on Mrs W's income and taking into account her other credit commitments as identified through the credit check, her declared rent/ mortgage payment, and noting that an amount was included in the assessment for essential expenditure I find it reasonable that Virgin Money considered a credit limit of £6,200 as affordable for Mrs W. While I note the account was opened with a £5,000 money transfer promotional offer, I do not find that this meant that further verification was needed.

Therefore, having considered the size of the credit limit compared to Mrs W's income, that her credit check didn't raise concerns and noting her other declared costs, I think the checks carried out by Virgin Money before the account was opened were reasonable.

I can see that Mrs W was gambling heavily at the time of the application and had Virgin Money requested copies of her bank statements it would have seen this. But in this case, I find that the checks undertaken by Virgin Money were proportionate and as these didn't raise concerns about the affordability of the lending and there was nothing identified through the checks that should have alerted Virgin Money to the issue Mrs W had with gambling, I do not find I can say that Virgin Money was wrong to provide the credit card with a £6,200 credit limit.

Mrs W responded to my provisional decision saying that there was no mention that Virgin would have been able to see that she had an overdraft facility of £6,000 which she was making extensive use of and that she had exceeded her limit on in the previous months. She also said that when she requested the Virgin card, she requested an immediate cash transfer which should have raised concerns and that her first annual statements showed she had taken several cash advances and money transfers.

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.

There isn't a specific set of checks that a lender is required to carry out, but the lender must undertake a reasonable assessment of creditworthiness and affordability. Affordability checks need to be proportionate taking into consideration factors such as – but not limited to – the size of the loan, the repayments, what the lender knew about the consumer, and the things the consumer told it about their circumstances.

I understand why Mrs W feels the lending was irresponsible, but I have to consider whether the checks carried out by Virgin Money were reasonable and if so whether these raised concerns that the lending shouldn't have been provided. I note Mrs W's comments about her overdraft and from her bank statements I can see that she was making use of her overdraft around the time of the application in July 2021, but she hadn't been making use of it in the

preceding two months. Having looked through the results of Virgin Money's credit check this didn't suggest that Mrs W was struggling financially and based on her verified income, I find the checks it undertook were reasonable. I noted in my provisional decision the money transfer that Mrs W requested at application and as I said I do not find this is enough to say that further checks were needed. In this case, I agree that had Mrs W's bank statements been assessed as part of the application process these would have raised concerns about her financial circumstances. But, in this case I do not find that Virgin Money was required to request these, and I think its checks were reasonable. As these didn't suggest that Mrs W was struggling financially or that the lending wasn't affordable, I do not find I can uphold this complaint.

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 Mrs W to accept or reject my decision before 15 December 2023.

Jane Archer
Ombudsman