

## **The complaint**

Mr K complains that Virgin Money Bank PLC lent to him irresponsibly and without carrying out proper affordability checks. He would like all the interest and charges associated with the credit card account refunded.

## **What happened**

In May 2018 Virgin Money approved a credit card account for Mr K with a credit limit of £1,700. When assessing the application, Virgin Money appears to have asked Mr K some questions about his income, and I can see it obtained a high level credit score before approving the lending.

There have been no credit limit increases since then. Mr K has sadly found it difficult to manage the account which appears to have in long-term arrears.

The investigator looked at the evidence and thought that Virgin Money's checks didn't go far enough. But the evidence provided by Mr K about his wider financial circumstances at the time didn't reveal any concerns which the investigator thought should have led Virgin Money to a different lending decision. So he didn't uphold the complaint. Mr K disagreed, highlighting his current financial difficulties, and asked an ombudsman to look at his case.

## **What I've decided – and why**

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Having done so, I'm not upholding it, essentially for the same reasons as the investigator.

My starting point in reaching my decision is to first look at what information Virgin Money had when considering Mr K's credit card application. Then I need to consider what information it *should* have gathered, given what it knew about Mr K and his circumstances. And, finally, whether any information ought to have led Virgin Money to conclude that the borrowing in question was unaffordable for Mr K.

The regulations in force required potential lenders to carry out "proportionate checks" and prescribed nothing more – so the exact nature and depth of checks that need to be carried out in order to be proportionate vary from lending decision to lending decision. There was and is no automatic requirement for a lender to, for example, verify what a customer is telling them, or review bank statements.

In May 2018 Virgin Money appears to have asked Mr K about his income, in response to which it seems he disclosed an annual income of £14,000. I can see that the credit file information obtained by Virgin Money confirmed that income for Mr K, as well as showing that he had no debt of any kind.

The investigator highlighted Mr K's modest income as a reason why, when granting a credit limit of £1,700, Virgin Money ought to have carried out more in-depth checks into Mr K's financial circumstances. And I agree.

*What would Virgin Money have likely found and what ought it to have concluded, had it carried out proportionate checks in May 2018?*

When considering this second question, our service has had the benefit of several months of bank statements to review. I accept that there was and is no requirement on a lender to obtain any particular type of information: they are permitted to source and rely on a range of evidence when assessing affordability, and so Virgin Money could have opted to gather more information about Mr K's financial position in a range of ways. However, it didn't, and, in the absence of anything else provided, I'm happy to rely on the statements to demonstrate what Virgin Money would most likely have discovered if it had completed proportionate checks.

Effectively, the bank statements don't show anything that ought to have led Virgin Money to conclude that providing a credit limit of £1,700 would lead to any harm to Mr K. The income declared was accurate, and the account was well managed, with only one example of him being charged for using an unauthorised overdraft briefly and for a very modest amount. He does not appear to have any dependence on borrowing at that stage and seems to have had disposable income each month and the ability to spend that discretionarily on non-essential items.

In the round, the evidence Virgin Money would have had if it had completed more thorough checks would not have led it to a different lending decision. The available information strongly suggests the borrowing ought to have been affordable and sustainable for Mr K. I accept that hasn't proved to be the case, and am deeply sorry for Mr K's difficulties. But there is no evidence that Virgin Money ought to have been able to identify that back in May 2018. It therefore follows that I don't uphold this complaint.

### **My final decision**

For the reasons I've explained above, I don't uphold this complaint and Virgin Money doesn't need to do anything.

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

Siobhan McBride  
**Ombudsman**