

## **The complaint**

Ms J complains that Clydesdale Bank Plc trading as Virgin Money was irresponsible when it offered her a credit card account.

## **What happened**

Virgin Money opened a credit card account for Ms J in June 2022 with a credit limit of £4,100. I understand that the limit wasn't increased. Ms J fell behind on her payments and the account defaulted in July 2023 owing £3,886. This debt has now been passed to a third party.

Ms J complained to Virgin Money in August 2023 that the credit was unaffordable and should not have been agreed. Ms J said she had a substantial amount of debt at the time and took out the account primarily to transfer a £3,000 balance from another credit card. Ms J also said that she was on maternity leave when the account was opened.

Virgin Money didn't uphold Ms J's complaint. It said that it used a variety of information to check that the credit would be affordable for her including information she'd provided and information from the credit reference agencies. It said there were no indications of financial difficulty in the information it relied on and Ms J hadn't mentioned in her application that she was in receipt of maternity pay and universal credit.

Ms J referred her complaint to us. Our investigator assessed the complaint and didn't recommend that it be upheld. They found that Virgin Money hadn't been irresponsible to have opened the account for Ms J with that credit limit.

Ms J didn't agree with this recommendation and asked for the complaint to come to an ombudsman to decide.

## **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've also had regard to the regulator's rules and guidance on responsible lending (set out in its consumer credit handbook – CONC) which lenders, such as Virgin Money, need to abide by. Virgin Money will be aware of these, and our approach to this type of lending is set out on our website, so I won't refer to the regulations in detail here but will summarise them.

Before entering into a credit agreement, Virgin Money needed to check that Ms J could afford to repay the credit out of her usual means, within a reasonable period of time, without having to borrow further and without experiencing financial difficulty or other adverse consequences. The checks needed to be proportionate to the nature of the credit, for example the amount offered, and to Ms J's particular circumstances. The overarching requirement was that Virgin Money needed to pay due regard to Ms J's interests and treat her fairly.

With this in mind, my considerations are did Virgin Money complete reasonable and proportionate checks when it opened the account for Ms J to satisfy itself that she would be able to repay the credit offered within a reasonable period of time? If it didn't do this, what would reasonable and proportionate checks have shown and, ultimately, did Virgin Money make a fair lending decision?

When Ms J applied for her credit card, she stated her income as £75,000 and her rent as £700. Virgin Money said it validated Ms J's income using information from the credit reference agencies and modelling data. It estimated Ms J's net monthly pay as £4,313 and her living costs as £1,285 using data from the Office of National Statistics. Virgin Money checked Ms J's credit file and noted that there was no adverse information showing, and that she had existing debts of £28,914 including just over £11,000 of revolving credit balances. Virgin Money estimated that Ms J's monthly repayments towards her revolving debts amounted to £460 and £916 for her non-revolving debts and concluded that she had around £967 spare each month. Ms J said in her application that she intended to transfer a balance of £3,000 to the account to take advantage of an interest free offer.

Given Ms J's level of income and how she was managing her existing debts, I think Virgin Money's checks could be considered to be reasonable and proportionate in this instance. I think the lender might have been concerned that Ms J was spending a third of her income repaying existing debt and that she'd taken out a large loan just a few months prior to applying for this account. However, I think Virgin Money would have offered Ms J the account even if it had carried out further checks, because these checks would likely have shown that she would be able to repay the credit without difficulty within a reasonable period of time.

Ms J provided her bank statements and her credit file and I've reviewed these. These show that Ms J's income was lower than she'd stated and she was in receipt of maternity pay and universal credit, along with money from her partner and other amounts from family. However, Ms J told us that her normal salary began again in July and I think it's likely she would have told Virgin Money this had it enquired. I think it was reasonable for Virgin Money to rely on the full income figure Ms J gave.

The statements also show that Ms J's living costs were broadly in line with the figures Virgin Money used though her debt repayments were higher. Even so, it seems Ms J still had enough disposable income to meet the credit repayments while maintaining all her usual commitments. Virgin Money's assessment found that Ms J would have been able to meet her repayments without difficulty, and I think further checks would have confirmed this. So I can't say Virgin Money was irresponsible to have opened the account for Ms J with the information it had or that it made an unfair lending decision. It follows that I am not upholding her complaint.

I can see from the credit file information Ms J provided that she took out further debt after opening the account and that her debts quickly became unmanageable. Ms J told us that her finances caused her serious distress and anxiety and she is now in a debt management plan with a national charity. I am very sorry to hear that things have been so difficult for Ms J and I hope I've clearly explained why I am unable to uphold her complaint.

### **My final decision**

For the reasons I've explained above I'm not upholding Ms J's complaint about Clydesdale Bank Plc trading as Virgin Money and it doesn't need to take any further action in this matter.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms J to accept or reject my decision before 27 March 2024.

Michelle Boundy  
**Ombudsman**