

The complaint

Mr M complains Clydesdale Bank Plc trading as Virgin Money (Virgin Money) irresponsibly provided him with three unaffordable credit cards.

Mr M has also complained about Virgin Money's actions when dealing with the accounts while he's been in financial difficulties.

What happened

Mr M was provided with the following limits across three credit cards with Virgin Money:

Account	Lending decision	Date	Credit Limit
One	Original limit	June 2019	£14,100
One	1 st limit increase	May 2020	£19,100
Two	Original limit	July 2020	£13,600
Three	Original limit	June 2022	£4,000

Mr M complained to Virgin Money in June 2023. He said all of these limits were unaffordable for him, and that had Virgin Money conducted reasonable and proportionate checks at the point of each lending event it would have identified this.

Virgin Money issued its final response in August 2023 not upholding the complaint. It said it considered it had completed proportionate checks and reached fair lending decisions when providing Mr M with these lines of credit. In relation to the additional complaint points Mr M had raised around the management of the accounts and the service provided while he's been in financial difficulties; it acknowledged his points and set out why it considered it had acted fairly and reasonably to Mr M.

Mr M didn't accept Virgin Money's response and referred his complaint to our Service.

Our Investigator considered Mr M's complaint and upheld it in part. She considered Virgin Money had made fair lending decisions in 2019 and 2020 on the first two accounts. But she didn't consider it had made a fair lending decision when providing Mr M with the third card in 2022. She also reviewed the additional complaint points and overall felt Virgin Money had acted reasonably.

Virgin Money ultimately accepted our Investigator's outcome; Mr M disagreed. He asked that an Ombudsman review the case as in summary he felt Virgin Money ought reasonably to have identified at an earlier event that further credit wasn't sustainably affordable for him.

As Mr M asked for an Ombudsman review the complaint's been passed to me 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.

Having done so I've reached the same outcome as our Investigator; for broadly the same reasons. I appreciate this will be disappointing to Mr M.

We've set out our approach to complaints about irresponsible and unaffordable lending as well as the key rules, regulations and what we consider to be good industry practice on our website; both Mr M and Virgin Money have been directed to this before and so should be aware of this approach.

Essentially Virgin Money needed to take reasonable steps to ensure the lending it provided was responsibly lent to Mr M. The relevant rules, regulations, and guidance at the time of each of Virgin Money's lending decisions required it to carry out reasonable and proportionate checks. These checks needed to assess Mr M's ability to afford the credit limit being provided at each event and repay it sustainably, without causing him financial difficulties or harm.

There isn't a set list of checks Virgin Money needed to carry out, but they should be proportionate, considering things like the type, amount, duration, and total cost of the credit, as well as what it knew about Mr M's individual circumstances.

And it isn't sufficient for Virgin Money to just complete proportionate checks – it must also consider the information it obtained from these checks to make fair lending decisions. This includes not lending to someone in financial hardship; and ensuring repayments can be made sustainably without the need to borrow further.

The first account opening limit of £14,100

Mr M was provided with the first credit card limit of £14,100 in June 2019.

Virgin Money has said it obtained details of Mr M's declared income which it verified by way of an online credit reference agency tool. It has said it obtained Mr M's declared housing costs and used Office of National Statistics (ONS) data to understand Mr M's regular monthly expenditure. It also completed a credit check to identify Mr M's existing credit commitments and his management of active and recently ended credit accounts.

It's said based on the results it obtained it was satisfied it completed proportionate checks and went on to make a fair lending decision.

I've carefully considered Virgin Money's arguments; and having done, so I'm persuaded its checks were proportionate and that it went on to make a fair lending decision.

I say this because although the original limit was relatively high, Mr M's declared sole income, which Virgin Money reasonably verified, was also relatively high. Virgin Money completed a credit check which showed no adverse information and that Mr M appeared to be managing his existing lines of credit relatively well. So, I don't consider there was any information it obtained which ought reasonably to have been of concern to Virgin Money; or meant it shouldn't take account of Mr M's non-discretionary expenditure by using statistical data.

This was Virgin Money's first lending event and based on the type and amount of credit being provided, together with the information it obtained about Mr M, I'm satisfied its checks were proportionate; and that it made a fair lending decision when providing Mr M with this credit card opening limit.

The £5,000 credit limit increase on credit card one

Virgin Money has said it completed the same level of checks at the limit increase as it did at account opening. It has also said at the limit increase it reviewed and took into account Mr M's management of the existing facility.

Virgin Money has said its checks were proportionate and that it went on to make a fair lending decision.

I've carefully considered Virgin Money's arguments; and while I don't consider its checks were proportionate in this instance, I do consider it made a fair lending decision.

I say this because at the credit limit increase Virgin Money was providing Mr M with a further £5,000, giving him total access to credit of just over £19,000. While I accept Mr M's salary is relatively high, Virgin Money needed to reasonably ensure itself that this further lending was sustainably affordable for Mr M.

From the information Virgin Money obtained at the point of the increase, I've seen Mr M's total debt, which all appears to be across revolving facilities, had increased relatively significantly from the time the account was opened. Within Mr M's original application, he declared that around £12,000 of the credit was to be used to complete a balance transfer; but at this increase just under a year after the initial application Mr M's total outstanding revolving credit balance had increased by around £17,000. Taking into account reasonable monthly repayments of around 5% to this total outstanding revolving debt, and this limit increase, Mr M would be paying a significant percentage of his monthly income towards credit commitments.

I consider Virgin Money needed to fully understand Mr M's financial circumstances at this point to be satisfied further lending was sustainably affordable for him. This means it needed to obtain details of Mr M's actual income and expenditure, as well as his existing credit commitments as it already had, rather than use average industry data.

Mr M has provided our Service with his bank statements leading up to this lending decision. In the absence of any other conflicting information, I consider these statements allow me to obtain a reasonable level of knowledge as to what Mr M's financial circumstances were in the lead up to this limit increase; and what information Virgin Money would likely have identified had its checks been more detailed.

I've considered the three-month period leading up to the limit increase and having done so I consider Virgin Money would still have reasonably lent to Mr M based on the information it would likely have identified.

I say this because I've identified Mr M appears to be left with a relatively sizeable disposable income in each of the months. The account statements that have been provided are for a joint account with two salaries being credited. I've noted most of the usual household bills you'd expect to see debit the account, as well as a number of credit commitments. So, as it appears Mr M and his partner's salaries are pooled and used as one pot to repay all expenditure and commitments, I consider it reasonable that Virgin Money would have proceeded on this basis.

The salaries crediting the account do fluctuate month to month; Mr M's salary is largely evidenced as around £5,100 which is slightly lower than he'd declared on the applications. Mr M's partner's income does seem to change month to month; so, I've taken the lowest amount credited across the three months of around £7,100. Across the months this figure does somewhat correlate to the other household income Mr M had declared on each of the card applications. However, given that the lowest income across the months I've reviewed

was around £12,200, I've used this income figure in my calculations; although it would appear this was regularly higher on review of further statements.

I've seen regular payments debit the account towards non-discretionary expenditure: rent, council tax, insurances, a hire purchase agreement, utilities, phone contracts and other monthly subscriptions. On average this expenditure totals around £3,500 per month.

I've also seen payments to credit commitments; both by monthly direct debit and by what appear to be ad-hoc payments. Virgin Money's checks identified household revolving debt of around £51,000 and non-revolving debt of around £18,700. Taking into account reasonable repayments to the non-revolving debt and this increase at 5%, this would equate to around £2,750 per month. Repayments to the non-revolving debt are evidenced as around £500. So, considering Mr M and his partner's repayments to credit commitments, their total monthly payment would be around £3,250, which is around 25% of their pooled lowest evidenced monthly income.

So, while on an individual basis Mr M's repayments to his sole credit commitments appear to be relatively high, I consider his finances, both solely and jointly, suggest he could sustainably maintain higher levels of credit repayment based on the evidence I have. This appears to be further supported as throughout each of the months I've reviewed its clear additional payments to credit commitments are being made, and these additional payments which are generally large in value do suggest more than minimum payments were being made to revolving credit accounts. So, I consider this shows there was a healthy disposable income left at the end of each month which consistently appears to have been used to some extent to make lump sum payments to reduce outstanding debt.

It therefore follows I consider had Virgin Money completed more detailed checks it would likely have identified this increase was sustainably affordable for Mr M; and I therefore consider it made a fair lending decision.

The second account opening limit of £13,600

As I don't consider Virgin Money's checks to have been proportionate the month before this lending decision, and it was now providing Mr M with access to a further £13,600 worth of credit; it follows I don't consider its checks when approving this second card to have been proportionate either.

However, having considered the evidence I have, while I don't consider proportionate checks were completed, I do consider Virgin Money went on to make a fair lending decision.

I say this because at this lending decision Mr M's total credit which is still solely evidenced across revolving facilities has significantly reduced. The credit check information Virgin Money obtained showed Mr M's sole outstanding debt had reduced relatively significantly. Taking into account reasonable repayments at 5% towards this new card limit and Mr M's existing debt which continues to appear to be solely across revolving credit facilities, I consider Mr M's repayments towards credit to have been at a reasonable level.

Given my findings above in relation to how Mr M and his partner's finances appear to be pooled, and that the income and expenditure is similarly evidenced through the bank account in the three months leading up to this lending decision; I consider Virgin Money would reasonably have been satisfied that this new limit would be sustainably affordable.

It therefore follows I consider Virgin Money made a fair lending decision when providing Mr M with this card and limit.

The third account opening limit of £4,000

Our Investigator upheld Mr M's complaint from this third credit card account which Virgin Money has accepted. As such there's no longer an active dispute in relation to this lending decision, so I see no reason for me to go into the details of this account further.

However, I will set out that I'm satisfied, based on the evidence I've reviewed, that Virgin Money didn't complete proportionate checks or go on to make a fair lending decision when providing this credit card account in June 2022.

Virgin Money's management of Mr M's account and the support it has provided since it has been aware of his financial difficulties

Mr M has raised a number of concerns relating to how Virgin Money has managed his accounts and the support it has provided him since it has been made aware of his financial difficulties.

I don't mean to be discourteous to Mr M, but I've not listed these or responded to them individually here; however, I can confirm I've very carefully considered each point.

I appreciate Mr M feels Virgin Money should have acted differently in its actions and in some of its dealings with him across the issues he's raised. However, I consider Virgin Money does overall appear to have taken reasonable steps and approaches in the support and actions it has taken since becoming aware of his financial difficulties.

I can see Virgin Money did offer forbearance measures and did put in place arrangements based on its reasonable assessment of Mr M's financial circumstances; before any formal action was taken. Ultimately, I haven't seen anything to suggest Virgin Money hasn't treated Mr M sympathetically and fairly throughout this process, or has acted outside of its regulatory obligations.

So, taking all the above into account, I can't conclude Virgin Money has acted unfairly or unreasonably in its handling of Mr M's accounts since it became aware of his financial difficulties.

Putting things right

I don't consider Clydesdale Bank Plc trading as Virgin Money should have provided Mr M with the third credit card account in June 2022. So, it therefore follows it's not fair for it to apply any interest or charges on this account. However, Mr M has had the use of the money he spent on the account, so I think he should pay this back. Therefore, in order to fairly resolve this complaint Clydesdale Bank Plc trading as Virgin Money should:

- Rework the third account provided in June 2022 removing all interest, fees, charges and insurances (not already refunded) that have been applied
- If the rework results in a credit balance, this should be refunded to Mr M along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement. Clydesdale Bank Plc trading as Virgin Money should also remove all adverse information recorded about this account from Mr M's credit file
- Or, if after the rework there is still an outstanding balance, Clydesdale Bank Plc trading as Virgin Money should arrange an affordable repayment plan with Mr M for the remaining amount. Once Mr M has cleared the outstanding balance, any adverse information recorded in relation to this account should be removed from his credit file.

I understand Clydesdale Bank Plc trading as Virgin Money has sold the outstanding debts to a third party. Clydesdale Bank Plc trading as Virgin Money needs to ensure the above redress is correctly applied, either by liaising with the third party to ensure these steps are taken, or by buying the debt back.

*HM Revenue & Customs requires Clydesdale Bank Plc trading as Virgin Money to deduct tax from any award of interest. It must give Mr M a certificate showing how much tax has been taken off if he asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

My final decision

My final decision is that I'm upholding Mr M's complaint about Clydesdale Bank Plc trading as Virgin Money in part, and I direct it to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 19 April 2024.

Richard Turner
Ombudsman