

## **The complaint**

Mr P has complained that Clydesdale Bank Plc trading as Virgin Money acted irresponsibly when it provided him with a new credit card in February 2020.

## **Background**

Mr P applied for a credit card with Virgin Money online in February 2020. He has explained that at the time of application he was struggling with a gambling addiction and was spending funds in a compulsive and harmful way. He says that had Virgin Money undertaken proper affordability checks it would have realised what he was doing and that the lending was unlikely to be sustainable. He has said he is now in a debt management plan and has amassed nearly £130,000 in gambling related debt. He has asked that Virgin Money refund all the interest and charges added to the account since its inception and remove any negative markers from his credit file.

Virgin Money has said that at the time of application Mr P declared his income to be £125,000 and he had existing unsecured debt of just under £55,900. It calculated his monthly disposable income to be approximately £2,270 and said it checked his credit file and found no evidence of missed payments or defaults. It therefore accepted the application and provided him with an opening limit of £13,100 which it felt was affordable for him. As it didn't think it had done anything wrong in providing Mr P with the credit card it didn't uphold his complaint.

Unhappy with Virgin Money's response Mr P brought his complaint to our service. One of our investigators looked into it already, he found that the checks Virgin Money completed at the time of application were insufficient given Mr P's declared income, proposed opening limit and amount of existing debt already on file. He said that had Virgin Money done more thorough checks it would have discovered Mr P's take-home pay had historically been lower than it had calculated it to be and that he was already over indebted with little to no genuine disposable income. As such he felt the lending decision was inappropriate and he upheld the complaint.

Mr P accepted the investigator's findings, but Virgin Money didn't. It said that if there was a disparity between Mr P's declared income and actual income it was the result of him providing it with misleading information at the time of application, and not because of anything it had done wrong. It said, based on the information it had reviewed at the time there was nothing to indicate that Mr P would struggle with the repayments or that he was experiencing financial harm due to compulsive problem gambling. As it didn't agree with the investigator's findings it asked for an ombudsman to review the complaint again and so its been passed to me for consideration.

## **My findings**

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 agree with the findings of our investigator and am upholding Mr P's

complaint for the same reasons. For the sake of clarity, I will set them out below.

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, the total cost of the credit and what it knew about the consumer at the time of application.

As mentioned already at the time of application Mr P had just under £55,900 of unsecured debt in his name. He also had a mortgage which he was a joint party to. In the three months prior to applying for this credit, he had taken on two new credit agreements, which accounted for nearly £20,000 of that existing unsecured debt. Given the large increase in indebtedness, over a relatively short period of time and right before this application, I would have expected Virgin Money to have run more thorough checks than it did.

Virgin Money has explained that it had asked Mr P to complete an income and expenditure declaration and that it reviewed his credit file information to ensure there was no evidence of missed payments or arrears on his existing accounts. Having done that it was satisfied that the lending would be both affordable and sustainable.

However, I agree with our investigator, and I don't think these checks were sufficient. Mr P had only recently increased his unsecured debt by a sizeable amount, and I think Virgin Money should have done more to understand why this additional lending was now needed given he had borrowed £20,000 in the three months prior to applying for the loan.

We also asked Mr P to explain the disparity in his declared income on the application and what is visible in his bank statements. Mr P has explained that at the time he'd applied he'd received a significant promotion, which included a substantial pay increase. He therefore had an expectation that his monthly salary would increase significantly after February 2020. However, in March 2020 the Covid pandemic impacted Mr P's employer and as such his promotion and linked salary increase, was put on hold until January 2022 when the industry he works for returned to normal. Had Virgin Money verified his income at the time of application it would have realised that Mr P was declaring his new income and not what had previously been evidenced on his bank statements.

While neither party could have predicted the pandemic or how it would have impacted Mr P's personal circumstances, what was already evident by February 2020 was that Mr P was compulsively gambling in a harmful way, and this compulsion was leading him to request more and more credit to keep afloat. I don't understand how Virgin Money didn't query why the additional lending was necessary so soon after the earlier borrowing. If it had done I think it would have seen the volumes of deposits Mr P was making to online gambling and spread betting websites.

Given the fact that Mr P had increased his indebtedness quite significantly in the three months prior to the application with Virgin Money and that he was approved for such a high limit on a new account, I would have expected Virgin Money to do more thorough checks to ensure the lending was appropriate and sustainable. And if it had I don't think it would have agreed to give Mr P access to the credit card under the terms it did. Therefore it follows that I think the lending decision made was inappropriate and I'm upholding Mr P's complaint.

## **Putting things right**

In order to put things right Clydesdale Bank Plc trading as Virgin Money should:

Rework Mr P's account 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 P along with 8% simple interest per year\* calculated from the date of each overpayment to the date of settlement. Virgin Money should also remove all adverse information regarding this account from Mr P's credit file.
- Or, if after the rework there is still an outstanding balance, Virgin Money should arrange an affordable repayment plan with Mr P for the remaining amount. Once Mr P has cleared the balance, any adverse information in relation to the account should be removed from his credit file.

\*HM Revenue & Customs requires Virgin Money to deduct tax from any award of interest. It must give Mr P 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**

For the reasons set out above I uphold Mr P's complaint against Clydesdale Bank Plc trading as Virgin Money.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 23 May 2024.

Karen Hanlon  
**Ombudsman**