

The complaint

Miss M complains Clydesdale Bank Plc trading as Virgin Money irresponsibly provided her with an unaffordable credit card.

What happened

Miss M was approved with a £3,400 limit on a credit card by Virgin Money in October 2021.

Miss M complained to Virgin Money in 2023 saying had it conducted reasonable and proportionate checks it would have seen the credit card was unaffordable for her.

Virgin Money didn't uphold Miss M's complaint and she brought it our Service for review.

I recently issued a provisional decision where I set out, with reasons, my initial thoughts on this case and what I was intending to decide.

The below is an extract from my recent provisional decision:

"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 Miss M and Virgin Money are aware of this approach.

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

There isn't a set list of checks a lender needs to carry out, but they should be proportionate, considering things like the type, amount, duration, and total cost of the credit, as well as the borrower'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.

Virgin Money has said it verified Miss M's declared income by credit reference agency data; and took details of her monthly rent payment. It says it completed a credit check to identify her existing credit commitments and recent and historic credit management.

It identified Miss M's income to be around £1,430 per month and she declared her rent payments to be £150 per month. Through its credit check Virgin money identified Miss M had around £8,200 of existing credit with monthly repayments totalling around £330.

Virgin Money concluded Miss M would be left with just over £200 disposable income per month, although it's not provided any additional details of how it reached this figure.

Virgin Money has said it is satisfied its checks were proportionate; and that it went on to make a fair lending decision when providing Miss M with this line of credit.

I've carefully considered Virgin Money's argument; and while I'm not persuaded it did complete reasonable and proportionate checks, I'm currently minded to say it did reach a fair lending decision in this instance.

The limit provided by Virgin Money was relatively high in relation to Miss M's income. While it reasonably looked to verify Miss M's income, the only regular expenditure it appears to have obtained was Miss M's declared rent. I consider proportionate checks for this level of limit against Miss M's income would have involved Virgin Money obtaining an understanding of her overall financial situation; by looking to understand all of Miss M's non-discretionary expenditure, as well as verifying her income and completing a credit check as it did to understand her existing credit commitments.

Miss M has provided our Service with her bank statements across a four-month period leading up to this lending event – although Miss M hasn't been able to provide one of the more recent months, so my review considers her financial situation across a recent three-month period. In the absence of any other information, I consider these statements allow me to obtain a reasonable understanding of Miss M's financial circumstances around the time of Virgin Money's lending decision.

Our Investigator said Miss M didn't appear to be receiving a salaried income; and that she was receiving benefits each month. She set out that Miss M's benefits didn't total around the £1,400 that Virgin Money used in its affordability calculations. And for that reason she said the credit card limit was likely unsustainable for Miss M.

Having reviewed Miss M's statements it is clear that she is in receipt of benefits across the months leading up to this lending. On average the benefits Miss M received across the three months totalled around £1,140 per month; however, these credits were consistent higher across the most recent two months I've reviewed, at around £1,250 in each month.

I've also identified other regular credits into Miss M's account which appear to be from an individual across this three-month period. These average around £240 per month. So, in terms of regular income I consider it's fair to suggest Miss M was receiving around £1,400 averaged across the three months, and closer to £1,500 across the more recent two months.

There are many other credits into Miss M's account across these three months. However, some are present in only two of the three months, or appear to be more irregular in terms of value and timing, so I've not included these. But some of these additional credits into the account does suggest further income was being received.

I say this because on review of Miss M's application I've seen she detailed her employer as a cleaning company; and provided her own phone number within the employers contact details. I've also seen payments on the most recent statement that appear to be to a website development company – and the reference of these payments includes the name of the cleaning company Miss M listed as her employer. So, I consider this suggests, on balance, it more likely Miss M has some involvement or control over the cleaning company she has listed as her employer.

In support of this Miss M's most recent bank statement has a number of credits with the reference 'clean' or 'cleaning'. These entries total over £500. And there are further credits with names and addresses or invoices as references, which I consider, on balance, likely be

in relation to cleaning services provided, given the other activity and information I've detailed above.

So, I'm currently persuaded this further supports my findings that Miss M had an additional income to the benefits; and I consider had Virgin Money completed proportionate checks and identified this information it would reasonably have taken this additional income into account as part of its checks.

From reviewing Miss M's statements I've been able to identify some regular non-discretionary expenditure; as well as payments towards her existing credit commitments.

I've seen that payments towards insurances, utilities, a mobile phone and a gym subscription total around £210 per month. Miss M's payments towards her existing lines of credit total around £470 per month; which is higher than the figure Virgin Money used within its affordability check. Based on the evidence Virgin Money received as part of its credit check this suggests Miss M was making higher than the minimum payments towards her revolving credit balances.

Miss M's payments towards her existing credit commitments as evidenced by her statements are relatively high in relation to the average regular monthly income of around £1,400 that I've found above, at around 33%. And it's clear Miss M has dependants as she's in receipt of child benefits; so, wouldn't necessarily be someone who could sustainably support a high percentage of their income being committed to repaying credit. But the additional income I've identified would have reduced this; as well as had Miss M made repayments to her revolving credit balances at the minimum contractual rate as per the information Virgin Money had identified. In addition to this, Miss M had requested a balance transfer as part of her application, so Virgin Money was aware she was in part looking to consolidate some existing revolving debt which would decrease her monthly repayment to her credit commitments.

Miss M's statements also show that she was also transferring money into a savings account. Across the three-month period Miss M transferred over £1,500 into a savings account; and there was only one payment back into her bank account from the savings account across this period for around £6. This suggests to me that Miss M's disposable income each month was enabling her to save money, and at a relatively high amount.

The credit check Virgin money completed showed no adverse information like bankruptcy, CCJs, defaults or missed payments within the recent past. It identified Miss M had around £8,200 of existing debt spread across a number of products and had been managing these existing accounts well.

Miss M has provided copies of emails from other lenders setting out missed payments in 2020; and arrears on her credit file from September 2021. While I accept this evidence suggests Miss M's finances were stretched and she was in financial difficulties from at least 2020 onwards, I don't consider Virgin Money was or ought reasonably to have been aware of this when it made its lending decision in October 2021.

I say this because the missed payment emails Miss M has provided set out that if the account detailed isn't brought up to date her credit file may be adversely affected. This suggests that at the point of the emails Miss M's missed payments hadn't been reported to credit reference agencies. Miss M has also told us that she contacted some lenders and was granted payment holidays in line with the industry's support during the COVID pandemic; and it doesn't appear any adverse was reported on Miss M's credit file in relation to these as it didn't report on the credit check Virgin Money obtained.

Miss M has also provided screen shots from her credit file showing arrears reported by one lender in September 2021. Virgin Money's lending decision was made in October 2021, the month after the first arrears were reported. So, it's not unreasonable that at the point of Virgin Money's credit check this adverse wasn't reporting, due to the close proximity of its lending decision. And this appears to be corroborated by Virgin Money's check as it reported no recent adverse information across Miss M's existing lines of credit.

I accept that the evidence from around the time of Virgin Money's lending decision, and shortly after, does suggest Miss M was starting to experience financial difficulties; but I don't consider Virgin Money would or ought reasonably to have been aware of this at the point of its lending decision.

So, taking all the above into account I consider the evidence at the time of Virgin Money's lending decision suggests Miss M would have been left with a reasonable level of disposable income to sustainably afford this credit card limit. And it therefore follows, for the reasons set out above, that I'm currently minded to conclude that had Virgin Money completed proportionate checks it would still reasonably have reached the same decision to lend to Miss M."

Miss M didn't respond to my provisional decision. Virgin Money responded and said it had nothing further to add.

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.

As neither party have provided me with further information or evidence to consider, I see no reason to depart from the findings within my recent provisional decision.

So, in summary:

- I consider Virgin Money's checks needed to go further than they did for it to have satisfied itself that this credit limit was sustainably affordable for Miss M
- On review of the evidence available to me and that would have been available to Virgin Money at the time of its lending decision, I consider it would reasonably have concluded this credit limit was sustainably affordable for Miss M
- I'm satisfied Virgin Money made a fair lending decision when providing Miss M with this credit card limit

It therefore follows I don't require Virgin Money to take any further action in resolution of Miss M's complaint.

My final decision

For the reasons set out above my final decision is that I'm not upholding Miss M's complaint about Clydesdale Bank Plc trading as Virgin Money.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 15 April 2024.

Richard Turner
Ombudsman