

## **Complaint**

Mr O has complained about a credit card Clydesdale Bank Plc (trading as “Virgin Money”) has been providing to him. He says he was provided with a credit card with very high limits even though he was only making minimum payments.

## **Background**

Mr O was initially provided with a credit card with an initial limit of £9,200.00 in January 2014. Mr O’s credit limit was increased to £14,200.00 before it was then increased to £19,200.00 in October 2018.

One of our investigators reviewed what Mr O and Virgin Money had told us. And she thought Mr O should never have been offered his credit card. So she didn’t think that Virgin Money had treated Mr O fairly and reasonably and so upheld this complaint.

Virgin Money didn’t agree that Mr O’s complaint about the initial decision to provide him a credit card and increase his credit limit to £14,200.00. But it accepted that it shouldn’t have increased Mr O’s credit limit to £19,200.00 in October 2018 and offered to refund all of the extra interest fees and charges Mr O was charged as a result of this credit limit increase (in other words, all of the extra interest charged as a result of the credit limit being increased from £14,200.00 to £19,200.00). As Mr O didn’t accept Virgin Money’s offer his complaint was passed to an ombudsman for review.

As the parties are in agreement that Virgin Money shouldn’t have increased Mr O’s credit limit to £19,200.00 in October 2018, this decision is only looking at the decision to provide Mr O with a credit card in the first instance and to increase his credit limit to £14,200.00.

## **My provisional decision of 19 February 2024**

I issued a provisional decision – on 19 February 2024 - setting out why I was not intending to uphold Mr O’s complaint.

In summary, I was intending not to uphold Mr O’s complaint as Virgin Money had already agreed that it shouldn’t have provided Mr O with a credit limit increase to £19,200.00 in October 2018. And as I didn’t think that Virgin Money had done anything wrong when providing the credit card in January 2014 or when increasing the credit limit to £14,200.00, I was satisfied that what it had already agreed to do for Mr O was fair and reasonable in all the circumstances of the complaint.

## **Responses to my provisional decision**

Virgin Money didn’t respond to my provisional decision and so didn’t provide anything further for me to consider.

Mr O responded disagreeing with my provisional decision. In summary, he said:

- Virgin Money said “*we feel the increase to £19,200.00 could have been better assessed and agree to refunding anything over £14,200.00*”. He takes this to mean all interest fees and charges applied to the account after October 2018 should be refunded.
- When providing this card Virgin Money increased his combined credit limit to £24,600.00. There was no requirement to close his existing line of credit and owing money on all of this would have equated to 83% of his take home pay being needed for a sustainable payment.
- He had a loan which doesn’t appear to have been taken into account which he was paying £486 a month to.
- By the time of the credit limit increase he had another credit card and another loan. Mr O says it was irresponsible to increase his credit limit when his pay had only just increased.

## My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Mr O’s complaint.

Having carefully considered everything, including the responses to my provisional decision I remain satisfied that what Virgin Money has already agreed to do to put things right for Mr O is fair and reasonable in the circumstances of his complaint and I’m not requiring it to do anything more or anything further. I’ll explain why in a bit more detail.

I want to start by addressing Mr O’s comments about Virgin Money’s original offer. Mr O has said that he took Virgin Money’s offer to mean that all interest, fees and charges added from October 2018 would be refunded to him not just what was charged on balances over £14,200.00.

I’ve thought about what Mr O has said about Virgin Money’s offer. I appreciate that the investigator could have and probably should have made Virgin Money’s offer clearer and explained what exactly this meant. However, the first thing to say is that Mr O has highlighted wording that the offer was for balances over £14,200.00.

In any event, Mr O didn’t accept Virgin Money’s offer to settle his complaint and it therefore now falls to me to decide what is fair and reasonable in all the circumstances of his case. Virgin Money accepts that it shouldn’t have increased Mr O’s credit limit to £19,200.00 from £14,200.00. It believes that it didn’t do anything wrong when providing Mr O with his credit card or increasing his credit limit to £14,200.00.

I’ll get to my thoughts on whether Virgin Money acted fairly and reasonably when initially offering the card or increasing Mr O’s credit limit on the first occasion. But for now I think it would be helpful for me to explain that where we agree a credit limit increase shouldn’t have been provided (such as Virgin Money as accepted was the case here) the starting point for putting things right is that all the extra interest, fees and charges associated with that increase are refunded. We wouldn’t normally say that the interest, fees and charges added to the entire balance from this point onwards should be refunded.

So a refund of the extra interest, fees and charges Mr O had to pay as a result of the limit increase to £19,200.00 (in other words, a refund of all the interest, fees and charges added on balances over £14,200.00) is in line with our typical approach to putting things right.

Virgin Money has confirmed that its offer was in relation to the final part of the investigator's assessment, which was in line with our typical approach. Therefore, I am satisfied that its offer was to refund all interest, fees and charges added on balances over £14,200.00 from October 2018 onwards, not on the entire balance going forward.

I now turn to Mr O's concerns about Virgin Money's earlier lending decisions.

Virgin Money needed to make sure it didn't lend irresponsibly. In practice, what this means is Virgin Money needed to carry out proportionate checks to be able to understand whether Mr O could afford to repay any credit it provided.

Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

Virgin Money says Mr O would have been provided with a credit card and the first credit limit increase after a credit search was carried out and some information on his income and expenditure was obtained. The information obtained would have suggested that Mr O had some existing debts but these were well managed and reasonable in comparison to his income.

In Virgin Money's view, the information that would have been obtained would have indicated that Mr O would be able to make the monthly repayments due for this credit card and the first limit increase.

On the other hand Mr O says that this credit card and the subsequent limit increases shouldn't have been provided to him. He has said that his existing indebtedness meant that the card and the first limit increase were unaffordable.

I've considered what the parties have said.

What's important to note is that Mr O was provided with a revolving credit facility rather than a loan. And this means that Virgin Money was required to understand whether credit limits of £9,200.00 and £14,200.00 could be repaid within a reasonable period of time, rather than all in one go.

Credit limits of £9,200.00 and £14,200.00 clearly weren't low. Nonetheless, they didn't require huge monthly payments in order to clear the full amount owed within a reasonable period of time. I say this particularly as a reasonable period of time, in these circumstances, is likely to equate to the term for equivalent loan amounts.

Our investigator's assessment appeared to rely heavily on the argument that someone earning around £2,000.00 should never have been provided with such credit limits. However, I think that the investigator was being overzealous on this occasion for more than one reason.

Firstly, Mr O's bank statements actually show that he was in receipt of more than £2,000.00 a month. And as I've explained he was never going to be required to repay £9,200.00, or

£14,200.00, in one lump sum. Equally, there was and remains no firm ceiling on the amount a person can be lent simply because of the amount of their monthly salary.

So I'm not persuaded by the investigator's argument that Mr O's salary in itself meant that he shouldn't have been lent to and I've instead considered whether Mr O is likely to have been able to afford the payments to credit limits of £9,200.00 and £14,200.00.

Virgin Money doesn't have a result of the credit checks carried out at the time the card was provided or the first credit limit increase. I don't think that's surprising or unreasonable considering how much time has passed since. Furthermore, I've not seen anything at all to indicate that Mr O had any significant adverse information recorded against him at the respective times either.

For example, I can't see any evidence of information such as defaulted accounts, county court judgements or insolvencies recorded against Mr O. Indeed such information is likely to have precluded Mr O getting a card and credit limit increase on the special terms he appears to have done.

I know that our investigator has referred to Mr O already having combined credit limits of close to £24,000.00 available to him. This is an argument that Mr O has reiterated in response to my provisional decision. But this information was taken from a credit file Mr O provided showing his position in June 2017 not at the time that the credit card or the first limit increase was provided.

So I don't think that this necessarily means that this in itself clearly shows the level of indebtedness Virgin Money would have seen as a result of its credit check. Given it was Mr O who chose to make his complaint when he did and this was well after Virgin Money was required to hold the details of its credit checks for, I'm not drawing any adverse consequences from it no longer holding this information.

In any event, the most important thing to note is that Mr O wasn't in £24,000.00 of credit card debt at this stage. At the absolute best (subject to my concerns that the credit file isn't from the time) there was the potential for Mr O to accrue this level of total debt on his credit card. I also say this while mindful that the information provided suggests that Mr O had a promotional offer – most likely a 0% interest balance transfer option – when he was provided with this card and provided with the first credit limit increase. So Mr O is likely to have had the option of transferring some of his existing debt, to a much lower interest rate, on to this account and this could well have improved his financial position.

Given the amount of the likely monthly payments, Mr O's existing debts and the total amount of funds he's likely to have been in receipt of, there is a reasonable argument to say that Virgin Money's checks did go far enough in this instance. Indeed, I think that Mr O might well have been applying for this card (and limit increase) in order to transfer existing balances on to this account at 0% interest.

The fact that the first credit card statement which Virgin Money has been able to provide (from November 2015) showing that Mr O was incurring no interest on his balance appears to support this. So I'm satisfied that Mr O was always likely to pay less interest than he would have done had the balances stayed where there were. And he was therefore able to make larger inroads into his balances.

Mr O says that it wasn't a condition of the credit card or the initial limit increase that he close his existing accounts. I appreciate that Mr O may not have gone on to close his accounts and may have gone on to build up further balances on them – although I don't think he ever owed the full amount he could on all of his revolving credit accounts.

In any event, Virgin Money could only make a reasonable decision based on the information it had available at the time. Even if it had inserted a condition that Mr O's credit cards needed to be closed, such a condition would have been pointless. It didn't have the power to be able to enforce such a condition as Mr O would only be able to close his existing cards *after* he had been provided with the funds to clear the balances elsewhere through balance transfers on this card.

In the circumstances, I'm satisfied that it was up to Mr O to close the cards which the available evidence indicates that he did clear or reduce the balances on. If he didn't that was not Virgin Money's responsibility and as Mr O did transfer balances and paid no interest on them for an extended period, I'm satisfied that he had the opportunity to substantially improve his position even if he may not have chosen not to do so by instead continuing to use his other cards.

For the sake of completeness, I would also add that even if more needed to be done for Virgin Money's checks to have been proportionate here, at the absolute most it could be argued that Virgin Money needed to obtain information on Mr O's actual living costs at the time of the application and the limit increase. But I don't think that Virgin Money would have made a different decision even if it had asked Mr O for such information.

I say this because I've not seen anything that shows me that when Mr O's committed non-discretionary regular living expenses and existing commitments were deducted from what he received, he did not have the funds to make a sustainable repayment for this credit card. So, in these circumstances, it's difficult for me to conclude that Virgin Money wouldn't have provided the credit card or the first limit increase, even if it had tried to find out more about Mr O's regular living costs at this time.

I accept that Mr O's actual circumstances at the time were worse than what the information about his living costs shows. I've seen what he has said about his existing loans. But having looked at Mr O's statements, the reality of the matter is that it wasn't his existing payments to credit or his living costs that were a problem.

I can clearly see that it is his gambling that might well have had the potential to hamper his ability to make his payments on the credit card. I also accept that if Virgin Money had gone into the depth of checks Mr O appears to be saying it should have – such as obtaining bank statements – it's possible, but by no means certain, that it may have reached a different decision.

However, given the circumstances and what Virgin Money needed to find out when providing the card as well as the first limit increase, I don't think that reasonable and proportionate checks would have extended into obtaining bank statements from Mr O – especially as bank statements weren't the only way that Virgin Money could find out about Mr O's living expenses in the first place.

Furthermore, by the time of the limit increase Virgin Money would also have been receiving payments on time for amounts that were making inroads into his balance. For example, even if Mr O had maxed out his balance by the time of the limit increase, the November 2015 statement shows that he's made inroads of over £2,000.00 by the time of this statement.

This balance reduction might have been skewed by the interest free period that Mr O was receiving. But it would be incorrect to say it was obvious Mr O was not in a position to be able to clear what he might owe within a reasonable period of time, given the rate that his balance was reducing by was showing him doing exactly that.

So I'm satisfied that Virgin Money was reasonably entitled to believe that approving this credit card and the first limit increase could reasonably leave Mr O in a better financial position. As this is the case, I'm also satisfied that Virgin Money was reasonably entitled to believe that it wasn't increasing Mr O's indebtedness in a way that was unsustainable or otherwise harmful.

Overall and having considered everything, I'm satisfied that Virgin Money didn't act unfairly or unreasonably towards Mr O when providing him with his credit card and the first limit increase. So while I can understand Mr O's sentiments, I remain satisfied that Virgin Money didn't treat Mr O unfairly or unreasonably when providing him with his credit card in January 2014 or subsequently increasing his credit limit to £14,200.00.

As I've explained, Virgin Money has already accepted that it shouldn't have offered to increase Mr O's credit limit to £19,200.00 in October 2018. And it has agreed to refund all interest, fees and charges on balances over £14,200.00 as a result.

I've also explained that this is what I would do if I were to conclude that this credit limit increase shouldn't have been offered to Mr O and I'm not upholding the complaint about the decisions to initially provide the credit card, or the first limit increase. So I'm satisfied that what Virgin Money has already agreed to do to put things right for Mr O is fair and reasonable in all of the circumstances. Therefore, I'm not requiring it to do anything further.

So overall and having carefully considered I'm satisfied that what Virgin Money has already agreed to do is fair and reasonable in the circumstances of Mr O's complaint. I appreciate this will be very disappointing for Mr O – particularly as the investigator's assessment suggests that he shouldn't have been provided with the credit card or any of the limit increases.

I hope Mr O will understand the reasons for my decision - that I don't think that proportionate checks are likely to have shown the credit card and the first limit increase were unaffordable and this isn't necessarily the same as whether this credit was as a matter of fact affordable for him - and that he'll at least feel his concerns have been listened to.

### **Fair compensation – what Virgin Money needs to do to put things right for Mr O**

Having carefully considered everything, I'm satisfied that it would be fair and reasonable, in all the circumstances of Mr O's complaint, for Virgin Money to put things right in the following way (which it has already agreed to do):

- rework Mr O's account to ensure that from October 2018 interest is only charged on the first £14,200.00 outstanding - to reflect the fact that the credit limit increase to £19,200.00 should not have been provided. All late payment and over limit fees should also be removed;

AND

- if an outstanding balance remains on Mr O's account once all adjustments have been made, it should contact Mr O to arrange a suitable repayment plan for this. If it considers it appropriate to record negative information on Mr O's credit file, it should backdate this to when it shouldn't have provided the additional credit in question in the first place;

OR

- if the effect of all adjustments results in there no longer being an outstanding balance, then any extra should be treated as overpayments and returned to Mr O along with 8% simple interest† on the overpayments from the date they were made until the date of settlement. If no outstanding balance remains on Mr O account after all adjustments have been made, then Virgin Money should remove any adverse information it (not any third party) has recorded from Mr O's credit file.

† HM Revenue & Customs requires Virgin Money to take off tax from this interest. Virgin Money must give Mr O a certificate showing how much tax it has taken off if he asks for one.

### **My final decision**

For the reasons I've explained above and in my provisional decision of 19 February 2024, I'm satisfied that what Clydesdale Bank Plc (trading as "Virgin Money") has already agreed to do for Mr O is fair and reasonable in all the circumstances of the complaint. I'm therefore not requiring it to do anything more or anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 22 April 2024.

Jeshen Narayanan  
**Ombudsman**