

The complaint

Miss A is complaining about Clydesdale Bank Plc trading as Virgin Money because she says it lent irresponsibly by providing her with a credit card she couldn't afford.

What happened

In April 2023, Miss A took out a credit card with Virgin Money with an initial limit of £2,400. The limit was never increased.

Our investigator didn't conclude the complaint should be upheld. He felt Virgin Money carried out appropriate affordability checks and made a reasonable decision to lend based on the information it received.

Miss A didn't accept the investigator's assessment and made the following key points:

- Her income included universal credit and disability benefit in addition to her earnings from employment.
- Her application should have been assessed on her income only, not the total household income.
- She was already struggling to manage her existing debt and was borrowing from friends and family to keep up with her repayments.
- Virgin Money should have done more to check her actual outgoings.

The complaint has now been referred to me for review.

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 overall conclusions as the investigator, and for broadly the same reasons. If I haven't commented on any specific point, it's because I don't believe it's affected what I think is the right outcome. In considering this complaint I've had regard to the relevant law and regulations; any regulator's rules, guidance and standards, codes of practice, and what I consider was good industry practice at the time.

I'm aware Miss A has other complaints about irresponsible lending involving different lenders with us, but I must treat each case on its own merits. In respect of the complaint that was recently upheld by an ombudsman, I note this decision related to lending later in 2023, by which time Miss A's overall debt had increased further and there had also been some significant changes to her circumstances as described in her recent correspondence with the investigator handling this complaint.

Before lending to Miss A, Virgin Money was required to carry out appropriate checks to ensure the repayments were affordable and sustainable. To decide whether this requirement was met, the key questions I need to consider are:

- Did Virgin Money complete reasonable and proportionate checks to establish that Miss A would be able to repay the credit in a sustainable way?
- If so, was the decision to lend fair and reasonable?
- If not, what would reasonable and proportionate checks have discovered, and would the decision to lend have been fair and reasonable in light of that information?

Virgin Money has said its affordability assessment was based solely on Miss A's income not the total household income. That's also the approach I've followed in reaching my decision.

In making her application, Miss A declared her income was £30,000 and I note Virgin Money says this was separately verified with information from a credit reference agency (CRA). She doesn't appear to have disputed this figure, although I note she says it included some benefits.

In respect of her existing commitments, Virgin Money's credit check showed Miss A had existing debt of approximately £7,300. This check also showed she had a good payment history, with payments up to date and no recent history of defaulted or delinquent accounts.

After considering this information carefully, I don't think there was any indication Miss A was struggling financially at this point. She wasn't heavily indebted compared to her income and seemed to be managing her existing commitments well.

Virgin Money says it also considered Miss A's key expenditure based on a combination of her housing costs as declared in her application, existing credit commitments as recorded by the CRA, and modelled statistical data to estimate her other living expenses. In this way, it determined she had sufficient disposable income to afford the monthly card repayments.

The use of modelled statistical data to assess expenditure is an approach that's recognised by the regulator for assessing credit applications. It's clearly less thorough than an assessment of a Miss A's actual expenses by reference to her bank statements for example. But in view of the amount of credit being offered and the information Virgin Money already had about her income and existing commitments, I think it was a proportionate approach in this case.

I've also considered Virgin Money's lending decision based on the information obtained from what I believe to have been a proportionate affordability assessment. In my view, it was entitled to believe the card repayments would be affordable for Miss A and that the decision to lend was a reasonable one.

I note Miss A's comments about the changes to her circumstances shortly after the card was issued, including a period where she was unable to work due to ill-health. Clearly that's a very unfortunate situation that must have been very difficult to deal with but it's not something Virgin Money could have known when considering her credit card application.

It's for these reasons that I'm not upholding Miss A's complaint. I realise this outcome will be disappointing for her and leaves her in a difficult position, but I'm satisfied it's fair and reasonable in the circumstances and I hope the additional explanation is helpful.

My final decision

For the reasons I've explained, I'm not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 7 May 2024.

James Biles
Ombudsman