

The complaint

Mr C complains that Clydesdale Bank Plc trading as Virgin Money lent irresponsibly when it approved his credit card application.

What happened

In August 2019 Mr C applied for a credit card with Virgin Money. In his application, Mr C said he was employed with an income of £13,500 and renting at £50 a month. Virgin Money says it carried out a credit search to look at what Mr C owed elsewhere and found he owed around £1,500. Virgin Money also took an estimated essential expenditure, based on national statistics, into account. Virgin Money says that after it applied its lending criteria it estimated Mr C had around £409 surplus income each month after his commitments and living costs were met.

Virgin Money approved a credit card with a limit of £2,300.

Last year, Mr C complained that Virgin Money lent irresponsibly when it approved his credit card application. Virgin Money issued a final response on 20 October 2023 but didn't uphold Mr C's complaint. Virgin Money set out the checks it had completed before approving Mr C's application and said the credit card appeared affordable based on the information available.

An investigator at this service looked at Mr C's complaint. The investigator wasn't persuaded Virgin Money had lent irresponsibly and didn't uphold Mr C's case. Mr C asked to appeal and said the decision to approve his credit card had contributed to a cycle of debt. As Mr C asked to appeal, his complaint has been passed to me to make a decision.

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.

Before agreeing to lend, the rules say Virgin Money had to complete reasonable and proportionate checks to ensure Mr C could afford to repay the debt in a sustainable way. These affordability checks needed to be focused on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:

- The amount of credit;
- The total sum repayable and the size of regular repayments;
- The duration of the agreement;
- The costs of the credit; and
- The consumer's individual circumstances.

That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate. Lenders may choose to verify a borrower's income or obtain a more detailed picture of their circumstances

by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.

I've looked at the information available to Virgin Money when Mr C applied. I note Mr C said he was employed and gave an income of £1,350 a month. In my view, that was a reasonable figure that I wouldn't have expected Virgin Money to challenge. And I can see Virgin Money carried out a credit search that showed Mr C owed around £1,500 to other lenders but there were no arrears or other adverse credit reported. Virgin Money also took a rent figure of £50 from the application and applied estimated living costs. I haven't seen anything in the information Virgin Money had that indicated Mr C was struggling or that he was caught in a cycle of debt at the time. And I think it's fair to note that the application was made, in part at least, on the basis of completing a balance transfer with the intention of saving money each month.

In my view, the nature and level of checks Virgin Money carried out were reasonable and proportionate to the £2,300 credit card facility it went on to apply.

With that said, Mr C has also provided copies of his bank statements for the period before he applied for the credit card. They don't show any additional debts or regular outgoings that weren't taken into account by Virgin Money. Mr C's account appears to have been well administered and there aren't any obvious signs he was experiencing financial difficulties at the time. Like the investigator, my view is that even if Virgin Money had carried out more comprehensive checks, it would still most likely have approved Mr C's credit card application.

I'm very sorry to disappoint Mr C but as I haven't been persuaded that Virgin Money lent irresponsibly, I'm unable to uphold his complaint.

My final decision

My decision is that I don't uphold Mr C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 28 May 2024.

Marco Manente
Ombudsman