

The complaint

Miss H complains that Clydesdale Bank Plc trading as Virgin Money was irresponsible in its lending to her.

What happened

Miss H was provided with a Virgin Money credit card in January 2020. She doesn't think that Virgin Money took into account her circumstances at the time of her initial application and didn't carry out adequate checks.

Virgin Money issued a final response letter dated 27 July 2023. It said Miss H was provided with a credit card with an initial credit limit of £1,000. It said it reviewed Miss H's application alongside its lending criteria and the credit limit was appropriate and affordable.

Our investigator upheld this complaint. She didn't think that Virgin Money gathered enough information before providing the credit card. She noted that Virgin Money's checks showed Miss H had a disposable income of £66.51 which she thought raised concerns about the affordability of the arrangement. She thought that given the circumstances further checks should have taken place and had these happened then it would have been clear that the lending wasn't affordable.

Virgin Money didn't agree with our investigator's view. It said the credit limit of £1,000 was low in terms of the average credit limit offered and no credit limit increases had been provided. It said evidence of Miss H's income of £18,000 was provided and that while Miss H had requested a £3,000 money transfer in her application it had responsibly declined this amount. It said Miss H declared a mortgage payment of £500 and while this wasn't shown on her credit file a financial associate had a mortgage of £649 a month and so this was included in its assessment. It said its checks were reasonable and these didn't raise issues that required additional checks to take place.

My provisional conclusions

I issued a provisional decision on this complaint, the details of which are set out below.

As part of the application process, Miss H declared her income as £18,000 and her monthly mortgage repayments as £500. Miss H's income was verified through current account turnover information and a credit search was undertaken. The credit check didn't raise any concerns in regard to defaults or missed payments and so I do not find this suggested Miss H was in financial difficulty at the time. Given the size of the credit limit provided and noting Miss H's income I find these initial checks were reasonable. However, Virgin Money was then required to fully assess the information received through the checks to establish whether this raised any concerns and if further questions should have been asked.

I have looked through the results of the checks Virgin Money carried out and these show Miss H as having a disposable income of £66.51. This is low and so I think it would have been reasonable for Virgin Money to have carried out further checks to ensure it had a clear

understanding of Miss H's financial circumstances and an accurate assessment of her actual expenses to ensure the lending was affordable.

In her application Miss H declared her monthly mortgage costs as £500. Virgin Money has said that a mortgage wasn't recorded on Miss H's credit file, but a financial associate had a mortgage repayment of £649 a month and this was the amount it included. Miss H has provided copies of her bank statements, but these are only from 22 December 2019 until 21 March 2020. As Miss H made her credit card application on 4 January this only provides limited information about her outgoings before that date. I also note that I do not find that Virgin Money was required to ask for copies of bank statements but, as I think Virgin Money should have asked further questions to fully understand Miss H's financial circumstances when she applied for the credit card, I have used the information provided to assess what would likely have been identified had further questions been asked.

Miss H's bank statements show her making monthly mortgage repayments of around £525. Virgin Money had included an amount of £649 in its calculations due to Miss H's financial associate having this recorded. Miss H also had other regular outgoings for costs such as utilities, insurances, phone and media contracts and nursery fees. These totalled around £600 a month.

The checks carried out by Virgin Money showed Miss H as having £89 of unsecured debts. We requested a copy of Miss H's credit file from the time, but this hasn't been provided. So, while I note Miss H's bank statements show her making payments to other creditors, without evidence that her credit check would have shown her to have other debts at the time, I do not find I can say Virgin Money was wrong to rely on the credit results it received.

Based on Miss H's declared monthly income of around £1,315 deducting her mortgage payments and other fixed costs noted above would leave around £190 for other costs such as general living expenses. This is a low amount but having looked at Miss H's bank statements these show that she was also receiving monthly benefit payments additional to her employment income. Miss H was also making transfers from another account and while we have asked about this no further information has been provided. So, on balance, while I think it would have been reasonable to have asked further questions given the low disposable income that was identified through Virgin Money's checks, I do not find in this case I have enough to say that such checks would have shown the lending to have been irresponsible.

No new information was provided in response to my provisional 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.

We have set out our approach to irresponsible and unaffordable lending on our website and I have had this in mind when assessing this complaint.

There isn't a set list of checks that lenders need to complete, but they need to be borrower focussed. This means they need to consider things like the type of lending, the cost of the lending as well as the amount, how long the customer will need to make repayments for and the potential consequences of not meeting the repayments.

As I explained in my provisional decision, I think it would have been reasonable, based on the results of the initial checks, for Virgin Money to have asked further questions about

Miss H's financial circumstances, specifically her expenses. However, based on the information I have seen, I do not find I have enough to say that had further checks been carried out these would have shown the lending to have been irresponsible. Therefore, in this case I do not find that I have enough to uphold this complaint.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 6 June 2024.

Jane Archer
Ombudsman