

The complaint

Miss Y complains that Clydesdale Bank Plc trading as Virgin Money ("Virgin Money") irresponsibly provided her with a credit card.

What happened

Virgin Money provided Miss Y with a credit card in October 2016 with a credit limit of £4,600. The evidence available suggests Virgin Money didn't increase the credit limit.

Miss Y complained to Virgin Money in September 2023. In summary, she said it was irresponsible for Virgin Money to provide her with credit and her account was opened with too large a credit limit. Miss Y says she'd only been making the minimum repayments on her credit cards and was utilising a high level of her existing available credit. She says she had a sizeable overdraft debt, unpaid direct debits and payday loans. Miss Y says she couldn't have repaid her balance within a reasonable length of time. She also says she was dealing with depression and was on long-term sick leave with a condition that led to her losing her job and retiring under ill-health due to a disability – which all contributed to her struggling to manage her finances. She says the situation has caused her stress and worry.

In its final response letter, Virgin Money didn't uphold Miss Y's complaint because it didn't agree the lending was irresponsible. It said there was nothing to suggest, at the time of providing the credit card, that Miss Y was in financial difficulty. Miss Y remained unhappy and brought her complaint to this service. To support its position, Virgin Money provided our service with Miss Y's credit application data, her credit file information from the time of lending and bureau data.

Our Investigator considered both what Miss Y and Virgin Money had said. Considering Miss Y's income and the amount of credit being provided, they said it would have been proportionate for Virgin Money to have verified Miss Y's financial circumstances, for example by requesting bank statements. After reviewing Miss Y's bank statements and credit report, our Investigator said they did reveal financial difficulty. And although it appeared Miss Y was intending to transfer balances from some of her existing debt, Virgin Money hadn't checked if Miss Y intended to close her accounts elsewhere. Therefore, they concluded Virgin Money had lent to Miss Y irresponsibly when providing her with the credit card.

Virgin Money disputed the Investigator's findings. In summary, it said Miss Y's credit file at the time of application didn't show any signs of financial stress, she hadn't applied for an account within the previous 12 months, her bureau score was above average at the time of application and her Consumer Indebtedness Index was low, indicating she was managing her finances well. Virgin Money said Miss Y's balance transfer held a promotional rate of 0% interest for 36 months and during this time, she would have only been required to make monthly repayments, calculated at 1% of the account balance. Virgin Money also said it couldn't be expected to force Miss Y to close existing accounts elsewhere.

Our Investigator said they didn't expect that Virgin Money would force Miss Y to close other accounts when carrying out a balance transfer, rather, that it's reasonable to have asked Miss Y if she would be closing them, before approving credit. And our Investigator reiterated

their position that Miss Y's financial situation ought to have been verified to ensure the lending was affordable. Despite the fact that a promotional rate was in place, our Investigator said there is still an expectation Miss Y would be able to sustainably clear the balance within a reasonable period of time.

Because an agreement couldn't be reached, the complaint was passed to me to decide on the matter. I issued a provisional decision where I said:

"I've considered all the available evidence and arguments to date to decide what I currently think is fair and reasonable in the circumstances of this complaint.

Having carefully considered everything provided, I'm not intending to uphold Miss Y's complaint. I appreciate this will be disappointing for Miss Y, particularly as our Investigator suggested her complaint should be upheld. However, I'll explain my reasons why.

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 Miss Y's complaint.

Virgin Money needed to make sure it didn't lend irresponsibly. This means it needed to carry out proportionate checks to understand whether Miss Y could afford to repay before providing the credit card. Generally, it might be reasonable and proportionate 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 it didn't continue to lend to its customer irresponsibly.

When Miss Y was provided with the credit card in October 2016, with a limit of £4,600, Virgin Money was required to understand whether Miss Y could sustainably repay the full amount it was prepared to lend, within a reasonable period of time.

When providing Miss Y with the credit card, Virgin Money's checks showed:

- *Miss Y said she was earning a gross annual income of £17,000; a monthly net income of around £1,227.*
- *On her credit check, she had around £9,480 of unsecured debt, of which around £7,260 was revolving debt. She didn't have any payments towards non-revolving debt and paid around £300 per month towards revolving debt.*
- *The bureau search showed no current or historic CCJs, defaults, or delinquent accounts.*
- *There were a total of six active accounts, none of which had been opened in the previous 12 months and all had a satisfactory status code.*
- *Surplus income after deducting debt payments and general living expenses was around £418.*

Looking at all the information Virgin Money gathered, I'm persuaded the checks were proportionate. And I'll explain why.

Miss Y declared she was employed and earning an income of £17,000 and Virgin Money's credit checks didn't indicate Miss Y had any previous or current difficulties repaying credit. In addition to this, most of Miss Y's active debt balances were on existing credit cards. And

Virgin Money has said Miss Y had a promotional offer when provided with this credit card of a 0% interest balance transfer with monthly payments calculated at 1% of the account balance for 36 months. Miss Y also didn't appear to have an existing relationship with Virgin Money and she hadn't taken out any other credit within the past 12 months.

Whilst Miss Y wasn't able to transfer all of her existing debt, she had the option of transferring some of it to a 0% interest rate on this account and for a reasonably long period of 36 months. In fact, I think it's likely Miss Y may have been applying for this card to transfer her existing balances at 0% interest and to reduce her monthly payments. And this would have likely bettered her financial position, rather than making it worse.

Given all of this, there wasn't anything obvious in the information Virgin Money gathered that suggests Miss Y couldn't have made the required payments on the credit card. Actually, the payments on her Virgin Money credit card may have lowered her outgoings due to the promotional offer.

So, it seems from the information available to Virgin Money at the time of lending, that the checks carried out were proportionate and it wasn't wrong to issue the card with a limit of £4,600.

I also want to point out that, unlike our Investigator, I haven't gone on to consider what Miss Y's bank statements or the credit report she's provided show. That's because I'm satisfied Virgin Money didn't need to carry out further checks or verify Miss Y's income before agreeing to lend to her – and therefore it was entitled to rely on the information it did gather.

Considering all of this, I'm currently satisfied the checks carried out were reasonable and proportionate and it wasn't wrong for Virgin Money to provide the card.

My provisional decision

For the reasons I've explained, I'm currently intending to not uphold this complaint. So, unless any comments or evidence I receive by 4 June 2024 changes my mind, that's what I'll say in my final decision."

Virgin Money responded to say it had nothing further to add. However, Miss Y responded with some comments. In summary, she said:

- It should have been clear on any credit check, that she'd used up to or close to her credit limit on all her credit accounts, including her overdrafts. And that they'd been at that level for a considerable period of time which should have raised concerns about her ability to repay and how she was managing her existing borrowing. She said this should have raised questions around financial distress and her ability to repay the balance, not just her ability to make the minimum payments during the promotional period.
- She'd taken out payday loans in September and November 2015 - and in April 2016, the latter requiring payments to be made up until August 2016. Miss Y provided the three agreements showing she'd taken out payday loans.
- In context of her debt increasing and her level of income, £4,600 was a considerable amount.
- £1,000 of the £4,600 she'd been lent was a money transfer to her bank account which should have been another reason to examine the lending carefully.

- Although her salary was around £17,000, due to ill-health, she was only receiving half of her pay.
- The promotional balance ended in June 2018, around 16 months early, due to failed direct debit payments.
- Despite missing direct debit payments and the promotional offer being ended early, Virgin Money continued to allow new spending on the card for over a year until October 2019. Although it did then stop new spending on the account, Miss Y says she was in arrears and requested a payment holiday. But Virgin Money didn't discuss options or offer support such as pausing interest payments for example.

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 haven't changed the opinion I expressed in my provisional decision. I've explained my reasoning below. But I want to say that I've taken on board all the additional comments that Miss Y raised in response to the provisional decision.

Miss Y has raised a new concern since the complaint was referred to our service, about how Virgin Money supported her when she'd missed payments. As this didn't form part of the original complaint made to Virgin Money or to this service, it will need to be dealt with separately – and therefore I won't be considering it as part of my decision. I'll now address Miss Y's other points raised.

I want to thank Miss Y for the further information she's shared. Some of the information isn't new – I'd set out in my provisional decision what I understood Miss Y's complaint to be and that included her points around how she'd been managing her debt and that she'd taken out payday loans. Therefore, I'd already taken this information into consideration when issuing my provisional decision on the matter. However, I'll explain a little more about the credit checks carried out by Virgin Money.

I appreciate Miss Y has provided a full copy of her credit file which may show information additional to what Virgin Money's credit checks showed at the time of the lending decision. Whilst I've reviewed this information, the relevant information for me to consider is what Virgin Money gathered and relied upon, because I've found that it completed proportionate checks. And there isn't a requirement for lenders to review information from all three Credit Reference Agencies. Had I said Virgin Money ought to have gathered more information about Miss Y's situation (i.e. that the checks carried out were not proportionate), I'd have likely then considered the information Miss Y has provided. Instead, given I've said Virgin Money's checks were proportionate, I've relied on what Virgin Money actually did see as part of its checks - and there wasn't anything obvious in the information Virgin Money gathered that suggests Miss Y couldn't have made the required payments on the credit card.

Miss Y has said she wasn't receiving the full £17,000 income she'd declared when being provided with this credit. However, for the reasons explained in my provisional decision, I've said Virgin Money's checks were proportionate. And the checks it did carry out, didn't reveal any concerns or flag any issues around Miss Y's earnings. So, I think it was reasonable for Virgin Money to rely on the information Miss Y had provided and I don't think it needed to verify her income.

Taking Miss Y's point about £4,600 being a considerable amount in context of her debt increasing and her level of income, I don't think Virgin Money's checks showed Miss Y was in financial difficulty or overly reliant on credit. Moreover, I find it key that Miss Y appeared to

have applied for this lending to transfer the balances on her existing credit and so Virgin Money reasonably thought she'd be moving her existing balances to this card - not increasing her debt. And this would have likely bettered her financial position, rather than making it worse.

Miss Y says her ability to repay the balance, not just her ability to make the minimum repayments during the promotional period on this account should be considered. Virgin Money was required to understand whether Miss Y could sustainably repay the full amount it was prepared to lend, within a reasonable period of time. For the reasons explained in my provisional decision, I think Virgin Money gathered a proportionate level of information to understand whether this was likely – and the information it saw suggested Miss Y could likely sustainably repay the full amount it was prepared to lend, within a reasonable period of time.

Miss Y has also said she failed to make the required payments on this card and therefore lost her promotional rate early. I'm sorry to hear Miss Y went onto have issues with repaying the money lent to her. But I don't think this is something Virgin Money could have known about or predicted. I think Virgin Money made a fair lending decision based on the information that was available to it at the time. So, Miss Y later going onto have issues repaying doesn't necessarily show that the credit was unaffordable at the time of the lending decision and that Virgin Money shouldn't have lent to her.

In response to Miss Y's point that she'd requested a money transfer when requesting a balance transfer, I recognise that in some circumstances, a money transfer request can be an indication of financial difficulty. It may suggest there's a lack of available funds from non-credit sources. However, in context of Virgin Money's checks (that they didn't show anything to suggest Miss Y was in financial difficulty or would struggle to make repayments on this card), I don't think requesting a money transfer alone, in the circumstances of this particular case, is enough to have prompted Virgin Money to have carried out further checks – or to not lend to Miss Y.

I've thought carefully about all the additional points Miss Y has raised however for the reasons explained, I'm satisfied the checks carried out by Virgin Money were reasonable and proportionate and it wasn't wrong for Virgin Money to provide the card.

My final decision

For the reasons I've explained, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss Y to accept or reject my decision before 9 July 2024.

Sophie Kyprianou
Ombudsman