

Complaint

Mrs W has complained about a credit card Clydesdale Bank Plc (trading as “Virgin Money”) provided to her. She says she shouldn’t have been provided with a credit card as it was unaffordable due to other debts that she already held.

Background

Virgin Money provided Mrs W with a credit card with a limit of £7,200.00 in April 2021. The credit limit on the card was never increased.

One of our investigators reviewed what Mrs W and Virgin Money had told us. And he thought Virgin Money hadn’t done anything wrong or treated Mrs W unfairly. So he didn’t recommend that Mrs W’s complaint be upheld.

Mrs W disagreed and asked for an ombudsman to look at her complaint.

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 Mrs W’s complaint.

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 Mrs W could afford to repay any credit it provided.

Having carefully considered everything, I’ve decided not to uphold Mrs W’s complaint. I’ll explain why in a little more detail.

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 it agreed to Mrs W’s application for a credit card after it obtained information on her income and carried out a credit search. And the information obtained indicated that Mrs W would be able to make the monthly repayments due on a credit limit of £7,200.00. On the other hand, Mrs W says that she shouldn’t have been lent to given her existing debts at the time.

I've considered what the parties have said.

What's important to note is that Mrs W was provided with a revolving credit facility rather than a loan. And this means that to start with Virgin Money was required to understand whether a credit limit of £7,200.00 could be repaid within a reasonable period of time, rather than all in one go. A credit limit of £7,200.00 required reasonably sized monthly repayments, rather than the whole amount to be paid in one go, in order to clear the full amount owed within a reasonable period of time.

From the information provided, it looks like Mrs W declared that she was employed and earning £48,500.00 a year, which it cross-checked against information from credit reference agencies on the funds that she received into her main bank account each month. Virgin Money's credit check showed that Mrs W had active debt balances of just under £43,000.00 at the time of the application – a significant proportion of which was on existing credit cards. These searches did not indicate that Mrs W had had any recent previous difficulties repaying credit – such as defaulted accounts or county court judgments recorded against her.

Mrs W says that she shouldn't have been lent to because of her existing debts and the fact that she had been taking out other credit in the lead up to this application. However, while I appreciate that Mrs W may disagree with this, I don't think that Mrs W's existing debts or her recent applications meant that Virgin Money should automatically have declined this application.

Nonetheless, I think that given the amount being lent here and the credit which Virgin Money was already aware of, there is a reasonable argument for saying that it would have been reasonable and proportionate for Virgin Money to find out a bit more about Mrs W's regular living costs before offering this credit card.

However, I don't think that proportionate checks would have extended into obtaining statements for the various accounts that Mrs W has now provided statements for. I say this particularly as there is no requirement for a lender to obtain statements for a customer's main account, let alone savings accounts.

Having considered all of the evidence provided, I don't think that Virgin Money obtaining further information on Mrs W's committed regular living expenses at the time and supplementing what it knew about her credit commitments, is likely to have led it to conclude that she did not have the funds to sustainably make the repayments due.

In reaching this conclusion, I've kept in mind that Mrs W was going to take advantage of a balance transfer offer and pay no interest on the credit card debt she was going to transfer for eighteen months. Mrs W not having interest to pay on this debt will have given her a significantly greater opportunity to reduce what she already owed, as well as reduce what she would have to pay to balances that had already accrued. And, in these circumstances, Virgin Money had no reason to believe that Mrs W's indebtedness would increase.

So, in these circumstances, it's difficult for me to conclude that Virgin Money would have found out that Mrs W would be placed in a worse position, at this time, even if it had tried to find out more about Mrs W regular living costs before taking the decision to offer her this credit card.

I do accept that the real reason for any difficulty, or inability, Mrs W may have had to make her credit card payments would not have been due to her existing credit commitments or her living expenses. I also accept that it's possible – but by no means certain – Virgin Money would have declined to lend to Mrs W if it had known about the gambling she has now told us about.

But the reality is Virgin Money did not know this. And even though I think that Virgin Money's checks ought to have gone further – and extended into finding out about Mrs W's actual living expenses – as I don't think that this would have resulted in requesting bank statements, I can't see how it would have found out about Mrs W's gambling and made a different lending decision as a result.

So overall while I'm sorry to hear that Mrs W found making her credit card payments a struggle, I don't think that Virgin Money treated Mrs W unfairly or unreasonably when providing her with her credit card. And I'm not upholding Mrs W's complaint. I appreciate this will be very disappointing for Mrs W. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mrs W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 12 July 2024.

Jeshen Narayanan
Ombudsman