

The complaint

Ms C complains that Clydesdale Bank Plc, trading as Virgin Money, acted irresponsibly in lending her a credit card.

What happened

Ms C took out a credit card with Virgin Money in September 2021. The credit limit was £2,400.

In 2022, Ms C complained to Virgin Money that the credit card had been unaffordable for her. In its final response letter, Virgin Money said that it had considered the information Ms C had provided in her application, as well as information from credit reference agencies. It said it thought it had acted reasonably in offering the account.

As a gesture of goodwill, Virgin Money waived the next two months of interest charges.

Ms C wasn't happy with Virgin Money's response and referred the complaint to our service. One of our Investigators considered things and upheld the complaint. In summary, she said Ms C had recent missed payments, and had heavy credit utilisation – including heavy overdraft usage – so she didn't think the account should have been approved.

To resolve things, the Investigator recommended that Virgin Money re-work the account to refund any interest and charges. If there was a remaining balance to be paid, she asked Virgin Money to agree an affordable repayment plan. If a credit balance resulted, she recommended Virgin Money pay 8% simple interest until the date of settlement. Our Investigator also recommended that any adverse information be removed from Ms C's credit file.

Virgin Money disagreed, so the case was referred to me. I issued a provisional decision, upholding the complaint but for different reasons to the Investigator. In summary, I said that I thought the checks Virgin Money had completed weren't proportionate and that it should have verified Ms C's income and expenditure via her bank statements. And, had it done so, it would have seen she was gambling more than her income – so it wouldn't have considered the lending to be sustainably affordable.

Ms C accepted my provisional decision. Virgin Money disagreed. In summary, it said it thought its decision to lend was sound, given the information available at the time – and would still be approved under its current strategies. It thought that the fact Ms C had two bank accounts showed she was financially astute.

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.

I issued a provisional decision, in which I said:

"I've considered the relevant rules and guidance on responsible lending set by the regulator,

laid out in the consumer credit handbook (CONC). In summary, these say that before Virgin Money offered the account it needed to complete reasonable and proportionate checks to satisfy itself that Ms C would be able to repay the debt in a sustainable way, without borrowing further elsewhere. As this was an open ended account, Virgin Money also needed to consider whether Ms C would be able to repay the debt within a reasonable period.

Virgin Money has said that prior to offering the account to Ms C, it considered information she'd provided to them about her circumstances as well as information from credit reference agencies.

The information Virgin Money has provided shows that Ms C declared her annual income to be just under £25,000, which Virgin Money calculated gave her a net monthly income of around £1,720. The information Virgin Money received from credit reference agencies showed that Ms C had no CCJs or defaults, and hadn't missed any payments on her existing credit accounts in the preceding six months. The information Virgin Money saw also showed Ms C had opened seven accounts in the three months prior to the application, as well as a further sixteen accounts between four and twelve months prior to the application. The checks showed Ms C had a total of nine open accounts.

The checks Virgin Money conducted showed that Ms C had existing debts totalling around £3,900. It calculated that Ms C needed to make payments of £293 per month towards her existing fixed credit commitments (such as personal loans) and £18 towards her revolving credit commitments (such as other credit card facilities).

As I've explained above, Virgin Money needed to conduct proportionate checks to satisfy itself that Ms C would be able to repay the debt in a sustainable way, within a reasonable period. In this instance, Virgin Money offered an initial credit limit of £2,400. So, sustainable repayments of around 5% of the initial credit limit – allowing Ms C to repay the interest charged and part of the capital if the account were utilised to its limit – would be around £120. Given the level of credit Virgin Money offered, and the level of Ms C's income, I do not think the checks it conducted were proportionate. I also say this given the number of accounts Ms C had opened in the lead up to her application for the credit card. I think this indicated she may have been using short term loans – which may have been a sign of financial stress. Before offering the credit, I think Virgin Money should have verified what Ms C had told them about her income and expenditure, by considering her bank statements, to ensure the facility would be sustainably affordable for her.

So, I've considered Ms C's bank statements for the three months prior to her application. These showed that Ms C's existing credit commitments and essential living expenses were relatively low. But they also showed she was using her overdraft on a daily basis – usually close to the limit, and paying to do so.

The bank statements Ms C initially provided to our service showed a significant number of transactions to and from another account in her name, and they also showed an average of around £230 a month in gambling transactions. Had Virgin Money had sight of these bank statements, I think it should have been prompted to ask Ms C for the statements for her other bank account as well.

Those statements show Ms C was gambling an average of around £1,790 a month – more than Virgin Money had calculated her net monthly income to be.

I think that, had Virgin Money conducted proportionate checks, it should have had cause for concern that payments towards the credit card would be unsustainable for Ms C – and I think it wouldn't have gone on to offer it."

I've read the full file again, and considered Virgin Money's comments.

It said it thought its decision to lend was reasonable, given the information it had available. As I explained in my provisional decision, I do not think the checks Virgin Money conducted prior to lending were proportionate. I say that given the Ms C's relatively modest income, and the relatively large credit limit offered, as well as the number of accounts Ms C had opened in the months leading up to the application.

I continue to think that Virgin Money should have verified Ms C's income and expenditure before deciding to lend. And, had it done so, it would have found that Ms C was utilising her overdraft heavily and spending significantly on gambling. It would also have found Ms C's second current account. So, I think that if Virgin Money had conducted proportionate checks, it would have considered that the lending wasn't sustainably affordable for Ms C.

For these reasons I am upholding Ms C's complaint.

Putting things right

To put things right, Clydesdale Bank Plc, trading as Virgin Money, should:

- Rework the credit card account, removing all interest and charges.
- If the reworks result in a credit balance, this should be refunded to Ms C along with 8% simple interest per year calculated from the date of each overpayment to the date of settlement. Clydesdale Bank Plc trading as Virgin Money should also remove all adverse information regarding the credit cards from Ms C's credit file.
- Or, if after the rework there is still an outstanding balance, Clydesdale Bank Plc trading as Virgin Money should arrange an affordable repayment plan with Ms C for the remaining amount. Once Ms C has cleared the outstanding balance, any adverse information recorded in relation to the accounts should be removed from his credit file.

My final decision

My final decision is that I uphold this complaint. To put things right, Clydesdale Bank Plc, trading as Virgin Money, should:

- Rework the credit card account, removing all interest and charges.
- If the reworks result in a credit balance, this should be refunded to Ms C along with 8% simple interest per year calculated from the date of each overpayment to the date of settlement. Clydesdale Bank Plc trading as Virgin Money should also remove all adverse information regarding the credit cards from Ms C's credit file.
- Or, if after the rework there is still an outstanding balance, Clydesdale Bank Plc trading as Virgin Money should arrange an affordable repayment plan with Ms C for the remaining amount. Once Ms C has cleared the outstanding balance, any adverse information recorded in relation to the accounts should be removed from his credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms C to accept or reject my decision before 19 August 2024.

Frances Young
Ombudsman