

The complaint

Mr M says Clydesdale Bank Plc, trading as Virgin Money ('Virgin Money'), irresponsibly granted him a credit card account he couldn't afford.

What happened

In January 2020, Mr M applied for and was granted a credit card account with Virgin Money with a credit limit of £10,000. And in February 2021 he was given a credit limit increase to £15,000.

Mr M complained to Virgin Money, saying that he shouldn't have been given the account and that Virgin Money ought to have made a better effort to understand his financial situation.

Our investigator didn't recommend the complaint be upheld. As Mr M didn't agree, the complaint has been passed to me to decide.

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.

Virgin Money will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don't consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

I've read and considered the whole file, but I'll concentrate my comments on what I think is relevant. If I don't comment on any specific point it's not because I've failed to take it on board and think about it, but because I don't think I need to comment on it in order to reach what I think is the right outcome.

I'll first look at the question of whether Virgin Money completed reasonable and proportionate checks before granting Mr M the card. I'll then consider whether, based on the evidence and information that was available from those checks, it made a fair lending decision.

Mr M's complaint is that Virgin Money provided him with a level of credit that was unaffordable and that this was something it should have been aware of. Virgin Money has explained it carried out a credit check using a credit reference agency to work out what credit it was able to offer. It also relied on the information Mr M had provided in his application. I've seen that Mr M provided details about his gross annual income, being around £71,000, which typically works out at around £4,100 in take home pay each month. He said he was living at home at the time. He also provided details about the overall household income. The credit check showed that Mr M owed around £26,000 in loans and another £2,100 in credit card and other non-revolving credit. Virgin Money also calculated that he was paying around

£800 per month towards his existing credit. In terms of his credit history, there were no recent adverse markings on his credit file, such as arrears or missed payments, that might have prompted Virgin Money to carry out further investigations.

Alongside the credit checks, Virgin Money also used statistical information to work out what Mr M might also have to spend each month in terms of essential living costs.

I think Virgin Money gathered a reasonable amount of evidence and information from Mr M about his ability to repay the new credit before deciding to lend to him. I say this especially given that Mr M was earning a salary that wasn't modest and his household costs were likely to be lower than if he was managing a mortgage or as renting as a tenant – although I do realise that he was making a significant contribution towards household running costs. However, just because I think it carried out proportionate checks, it doesn't automatically mean it made a fair lending decision. So, I've thought about what the evidence and information showed.

I've next reviewed the information and evidence that Virgin Money gathered. Having done so I'm satisfied that the checks that were completed showed that the agreement was likely to be affordable to Mr M. I'll explain why.

Our investigator worked out what Mr M would have to pay each year towards the new card if he was making sustainable payments. I agree that 5% of the overall credit limit is a reasonable figure for this. That means Mr M would need to find an additional £500 each month if he was using the card up to its limit. Once the £800 he was paying towards his existing credit is added to that, his total debt repayments were around £1,300 per month.

After it had also made allowance for Mr M's essential living costs, Virgin Money calculated that he would have disposable income of around £2,200. I know Mr M disputes the accuracy of this figure. But as things stood, the checks Virgin Money carried out and the level of detail they revealed didn't suggest that Mr M was experiencing financial difficulty or was at risk of his finances deteriorating. So I don't consider Virgin Money ought to have been alerted to the need for better checks.

Virgin Money carried out a similar set of checks before agreeing to increase Mr M's credit limit to £15,000. The new checks showed he now owed around £30,000 in loan debt, whilst his credit card debt had increased to around £13,000. And with the new credit limit, Mr M would have to find a further £250 each month repay it sustainably, based on a 5% monthly repayment. So, even with his estimated disposable income having been reduced to slightly under £2,000, the new increase still looked likely to be affordable.

Mr M sent us copies of his bank statements and gave us additional information about his financial situation in the run up to the granting the initial credit limit as well as the increase. He said his income was sometimes lower than what Virgin Money had allowed for. He also said he was paying around £425 per month towards housing costs and had started paying a further £400 by way of student loan repayments. He was also saving towards buying a house. Virgin Money wouldn't have been aware of this level of detail about his spending unless Mr M volunteered it or it reviewed his bank statements. As I've said, I don't consider that Virgin Money needed to consider these or seek further detail about his financial circumstances.

I think it's also important for me to address the issue of gambling that Mr M has told us about. He's told us about the substantial sums he was spending on gambling, both in the months leading up to the granting of the credit and as well as prior to the limit increase. Heavy gambling is visible in the bank statements he sent us. Mr M thinks Virgin Money ought to have been aware of this. I am concerned to learn of this issue and I've seen how it

added to his level of debt. Again, I consider that based on what it had found out about Mr M's financial situation at the time, there wasn't a need to carry out further checks – such as requesting copies of his bank statements – in order to see more about Mr M's day-to-day spending and non-credit financial commitments. I also recognise that Mr M couldn't be expected to voluntarily reveal to Virgin Money that he was gambling at such a substantial level. But I have to balance this against the evidence and information Virgin Money could reasonably be expected to rely on in making its lending decision.

It follows that, having looked carefully at all the available evidence and information – and that includes the points Mr M has raised in response to our investigator's view - I don't think I've seen enough to show or suggest that Mr M's card agreement with Virgin Money was unaffordable. So I can't reasonably conclude that Virgin Money ought to have known he might struggle to make the repayments. I'm therefore not persuaded that Virgin Money acted unfairly in approving Mr M for the card with the limit it gave him and the increase that followed later. That means I won't be requiring Virgin Money to do anything more to put things right.

Finally, given that Mr M's financial difficulties are likely to be continuing, I would ask that Virgin Money uses all possible forbearance in order to help Mr M have the opportunity to reduce what he still owes Virgin Money and agree an affordable repayment plan. I am sorry that I'm not able to help Mr M further on this occasion.

I've considered whether the relationship between Mr M and Virgin Money might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Virgin Money lent irresponsibly to Mr M or otherwise treated him unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

My final decision

For the reasons I've given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 11 October 2024.

Michael Goldberg
Ombudsman