

The complaint

Miss F complains that Clydesdale Bank Plc trading as Virgin Money was irresponsible in its lending to her. She wants all interest and charges on her account refunded along with 8% simple interest and any adverse information recorded on her credit file regarding this account removed.

Miss F is represented by a third party but for ease of reference I have referred to Miss F throughout this decision.

What happened

Miss F was provided with a Virgin Money credit card in July 2018 with a £3,200 credit limit. The credit limit was reduced in May 2020 to £2,200 and the account closed in April 2021.

Miss F says that adequate checks weren't carried out before the credit card account was provided to ensure the lending was affordable.

Virgin Money issued a final response dated 10 July 2024. It said that through the application process, Miss F declared an annual income of £18,000. It said it reviewed the information provided by Miss F and that received from the credit reference agencies against its lending criteria and the appropriate credit limit was assigned. It said there was nothing provided at the time of application that indicated that Miss F was in financial difficulties. It said no arrears were recorded on Miss F's account while it was open.

Miss F referred her complaint to this service.

Our investigator considered the checks carried out by Virgin Money before Miss F's account was opened and the results of these. He noted that a disposable income of around £273 was recorded but said he wasn't persuaded how accurate this was based on the limited information about how it was calculated. He thought Virgin Money should have done more to ensure the lending was affordable for Miss F especially given she already had a relatively high amount of credit. He thought that Miss F's outgoings should have been confirmed.

Because our investigator didn't think that proportionate checks had taken place, he considered what Virgin Money would likely have identified had these checks occurred. He looked at the information contained in Miss F's bank statements for the three months leading up to the account being opened. Based on this, he found that further checks would have shown the lending to be affordable for Miss F. Therefore, he didn't uphold this complaint.

Miss F didn't agree with our investigator's view. She said that when she took out the Virgin Money account, she already had multiple debts and was struggling to pay her priority bills. She said she couldn't afford the Virgin Money repayments and took out another loan to pay off the account. She said the stress of her debt and threat of debt collectors affected her mental health.

As a resolution hasn't been agreed, this case has been passed to me, an ombudsman, to issue a 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.

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

Before the credit card account was opened, Virgin Money gathered information about Miss F's employment and income and carried out a credit search. Miss F said she was employed with a gross annual income of £18,000. The credit check recorded Miss F having £13,226 of unsecured debt and monthly repayments for credit commitments of around £370. It isn't clear what data was used to assess Miss F's expenditure, but Virgin Money recorded her as having a disposable income of around £273. Given Miss F's level of existing debt and the repayments due on this compared to Miss F's income and noting the credit limit Virgin Money was offering, I think that further checks should have been carried out. As our investigator said, I think a review of Miss F's expenses as well as her income should have been undertaken to ensure the lending would be affordable.

Virgin Money wasn't required to request copies of Miss F's bank statements but as I think it needed to get a clear understanding of her income and expenditure, I have used the information in these to establish what further checks would likely have identified.

Miss F's bank statements for the three months leading up to the lending show that her average monthly income from her salary was around £1,720. She was also receiving additional payments into the account. She was making payments for bills and her credit commitments which totalled around £720 a month. Adding to this monthly repayments for the Virgin Money credit card based on a £3,200 credit limit, would leave Miss F with around £800 for her other living costs such as food and fuel. Based on this, I do not find that further checks would have suggested the lending to be unaffordable.

I have considered the comments Miss F has made about her circumstances at the time and I am sorry to hear that she was struggling and her mental health was affected. But I have to make my decision based on the information that was available to Virgin Money at the time. As I do not find that further checks would have shown the lending to be unaffordable, I do not find I can uphold this complaint.

I've also considered whether Virgin Money acted unfairly or unreasonably in some other way given what Miss F has complained about, including whether its relationship with Miss F 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 Miss F or otherwise treated her unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

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 F to accept or

reject my decision before 19 February 2025.

Jane Archer
Ombudsman