

## **The complaint**

Mrs H complains that Clydesdale Bank Plc trading as Virgin Money lent irresponsibly when it approved two credit card applications within a short period of time.

## **What happened**

Mrs H applied for a Virgin Money credit card in December 2020. In the application, Mrs H said she was employed with an income of £28,200 that Virgin Money calculated left her with £1,901 a month after deductions. A credit search was completed that showed Mrs H had existing debts of £5,905 and was making monthly repayments of £346. A joint mortgage with monthly repayments of £1,327 was also found on Mrs H's credit file. No adverse credit or defaults were noted on Mrs H's credit file. Virgin Money applied estimates obtained from statistical data for Mrs H's regular living expenses. When Virgin Money applied its lending criteria, it says Mrs H's existing outgoings were £181 more than her income each month. However, Mrs H also gave details of her husband's income of £50,000 a year on the application.

Virgin Money used the household income of £78,200 a year and says it also looked at Mr H's credit commitments and made allowances for joint outgoings and living expenses. Virgin Money's explained the application was affordable based on the household income and approved a credit card with a £7,000 credit limit.

Mrs H applied for a second Virgin Money credit card in May 2021. In this application, Mrs H gave her income as £29,400 which Virgin Money calculated left her with £1,971 a month after deductions. Mrs H's mortgage was recorded as £1,519 a month. Another credit search showed Mrs H's unsecured debts had increased from £5,905 in December 2020 to £26,238 with payments of around £750 a month. Again, an estimate for Mrs H's living expenses was applied to the application. When Virgin Money applied its lending criteria it found Mrs H's existing outgoings were around £1,076 a month higher than her income. However, Mrs H gave details of Mr H's income of £51,600 in the application.

Virgin Money used the household income of £81,000 a year and again says it took Mr H's credit commitments and made allowance for joint outgoings and living expenses during the application. Virgin Money approved a second credit card, with a limit of £4,400.

The credit card that was approved in December 2020 fell into arrears and was ultimately terminated by Virgin Money in 2024. Mrs H went on to complain that Virgin Money lent irresponsibly when it approved both credit card applications she made. Virgin Money issued a final response but said it had carried out the relevant lending checks before approving Mrs H's applications and didn't agree it lent irresponsibly.

An investigator at this service felt that Virgin Money's reliance on household income without a clear understanding of Mrs H's husband's circumstances wasn't reasonable and upheld her complaint. Virgin Money asked to appeal and said its approach to Mrs H's application was in line with industry regulations and didn't agree to refund the interest, fees and charges applied. As a result, Mrs H's complaint has been passed to me to make a decision. I recently

asked Virgin Money for some additional evidence to help understand how it considered Mrs H's application.

### **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.

Before agreeing to lend, the rules say Virgin Money had to complete reasonable and proportionate checks to ensure Mrs H could afford to repay the debt in a sustainable way. These affordability checks needed to be focused on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:

- The amount of credit;
- The total sum repayable and the size of regular repayments;
- The duration of the agreement;
- The costs of the credit; and
- The consumer's individual circumstances.

That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate. Lenders may choose to verify a borrower's income or obtain a more detailed picture of their circumstances by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.

I've set out the information Virgin Money found and used when considering both applications Mrs H made above. I'll look at each application Mrs H made in turn.

I note the credit file results Virgin Money obtained showed a previous missed payment on one of her unsecured debts as well as a recent cash advance from another credit card. And the credit file results showed Mrs H already owed around £5,905 to other lenders when she applied to Virgin Money for a new credit card. On its own, I wouldn't expect either issue to necessarily be a barrier to Virgin Money lending. The issue I have is that Mrs H's application in December 2020 only worked, from an affordability standpoint, on the basis of using Mr H's income as well. Without that, Mrs H was already overcommitted with her monthly outgoings exceeding her income by around £181.

I understand the relevant lending rules allow businesses to use a joint income when considering a sole named lending application in certain circumstances. But I'm not persuaded the evidence provided shows it was reasonable to do so in this case. I can see Virgin Money used a "household" affordability model when it looked at regular outgoings. And whilst difficult to read in the data provided, it does appear Mr H's credit file was checked as well. But given the application only worked from an affordability point of view based on Mr H's income as well, I'd have expected Virgin Money to have been very clear it would be available to Mrs H in the long term.

The lending data provided isn't straight forward to read. I can't see anything that shows whether Mr H's credit history (including any adverse information) was taken into account beyond the cost of his regular payments. And I recently asked Virgin Money whether it sought to verify Mr H's income in anyway before approving Mrs H's application. But Virgin Money's confirmed it didn't take that step and Mr H's income wasn't verified. In my view, if Virgin Money wanted to rely on Mr H's income the reasonable approach would've been to verify it in some way before deciding whether to proceed.

Given the negative disposable income Mrs H had and the lack of information I'm able to see that shows Mr H's circumstances were clearly understood by Virgin Money to a reasonable level, I haven't been persuaded it lent responsibly to Mrs H. In my view, the information Virgin Money obtained and has supplied to this service doesn't provide a firm basis for the decision to approve Mrs H's application. I haven't been persuaded the decision to approve Mrs H's application in December 2020 was reasonable for the above reasons, so I'm upholding this part of her complaint.

Virgin Money's approach to Mrs H's second application, in May 2021, was very similar to the previous one she made. But on this occasion, Mrs H's outstanding debts had substantially increased in the previous five months from £5,905 to £26,328, an increase of over £20,000. As a result, the lending assessment showed Mrs H's outgoings were now £1,076 higher than her income each month. Again, Mr H's income was used to support the application which was only approved on that basis. But, in much the same way as Mrs H's first application, I haven't seen evidence that demonstrates that Virgin Money took reasonable steps to get a clear understanding of Mr H's circumstances before approving the application like attempting to verify his income. And whilst I accept Virgin Money obtained details of Mr H's regular credit commitments, I haven't been able to see whether his credit history in general was taken into account. I think the information Virgin Money obtained ought to have shown it Mrs H was already overcommitted and borrowing at an unsustainable rate in May 2021. In my view, Virgin Money lent irresponsibly when it approved the application Mrs H made and issued a credit card with a limit of £4,400. As a result, I'm also upholding this part of Mrs H's complaint.

I've considered whether the business acted unfairly or unreasonably in any other way including whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed below results in fair compensation for Mrs H in the circumstances of her complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

### **My final decision**

My decision is that I uphold Mrs H's complaint and direct Clydesdale Bank Plc trading Virgin Money to settle as follows:

- Rework the account removing all interest, fees, charges and insurances (not already refunded) that have been applied to both accounts.
- If the rework results in a credit balance for either account, this should be refunded to Mrs H along with 8% simple interest per year\* calculated from the date of each overpayment to the date of settlement. Virgin Money should also remove all adverse information from Mrs H's credit file.
- Or, if after the rework there is still an outstanding balance on either account, Virgin Money should arrange an affordable repayment plan with Mrs H for the remaining amount on each account. Once Mrs H has cleared the balances, any adverse information in relation to each account should be removed from her credit file.

If Virgin Money has sold the debt to a third party, it should arrange to either buy back the debt from the third party or liaise with them to ensure the redress set out above is carried out promptly.

\*HM Revenue & Customs requires Virgin Money to deduct tax from any award of interest. It must give Mrs H a certificate showing how much tax has been taken off if she asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 12 June 2025.

Marco Manente  
**Ombudsman**