

The complaint

Mr H complains that Clydesdale Bank Plc trading as Virgin Money ("Virgin Money") approved a credit card for him which it subsequently failed to monitor correctly.

Mr H says Virgin Money ought to have checked whether his finances needed to be reviewed during the time he had the card and if it had done so it would have recognised that he could not afford the repayments and then limited his borrowing or cancelled the card.

What happened

Mr H took the credit card from Virgin Money in January 2020 with a credit limit of £9,400 after applying for it online. There was never a credit limit increase. After Mr H had complained, Virgin Money responded in August 2024. It said that it had carried out the correct checks, and Mr H was aware of the terms and conditions and interest rates applicable to the account when he took the card. And Virgin Money said that it had not made any error by not reducing his credit limit as it did not identify this was required. Virgin Money added that Mr H could have asked for a reduction to the credit limit but he did not.

The card was the subject of a Notice of Default in April 2024 and the debt default amount was £5,211.

After Mr H had referred the complaint to the Financial Ombudsman Service, one of our investigators considered it and thought that Virgin Money ought not to have approved the card in the first place. Virgin Money disagreed and sent additional information which our investigator considered and it did not alter her view.

Mr H accepted the outcome. Virgin Money disagreed still and the unresolved complaint was passed to me to decide.

Having reviewed the complaint, and having listened to the initial recorded call Mr H had with our investigator my view is that the complaint raised by Mr H did not actually encompass the initial card approval – it was a complaint about the monitoring of the account and that Mr H considered that Virgin Money ought to have stopped him from using the credit at some point. However, as our investigator has assessed that initial credit card approval lending decision, I have looked at it all as well.

We asked Mr H for some detailed information such as bank account statements and a credit file and copies of his credit card statements but Mr H was not able to send these to us. So, I have reviewed what we have received from Virgin Money.

On 4 April 2025 I issued a provisional decision giving reasons why I considered that Virgin Money need not do anything. The reply date was 18 April 2025. I've duplicated that provisional decision here for ease of reference.

What I've provisionally 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 is required to lend responsibly. It needed to conduct checks to make sure that the credit it was giving to Mr H was affordable and sustainable. Such checks needed to be proportionate to things like the credit limit it offered Mr H, how much he had to repay (including interest and charges) each month, his borrowing history with it and what it knew about his circumstances. But there is no set list of checks it had to do.

This means to reach my conclusion I need to consider if Virgin Money carried out proportionate checks at the time it approved the new card for Mr H and if so, did it make fair lending decisions based on the results of its checks; and if not, what better checks would most likely have shown.

Also, I'll consider whether Virgin Money acted unfairly towards Mr H in some other way.

The initial card approval January 2020

What's important to note is that Mr H was provided with a card credit limit for a revolving credit facility rather than a loan. And this means that Virgin Money was required to understand whether the credit limit of £9,400 could be repaid within a reasonable period, rather than all in one go.

A credit limit of £9,400 didn't require huge monthly payments to clear the full amount owed within a reasonable period. I say this particularly as a reasonable period, in these circumstances, is likely to equate to the payments for a reasonable loan term for equivalent loan amounts. And I have used the Financial Conduct Authority (FCA) CONC guide to assist me in coming to these conclusions. Extracts from these are set out here:

CONC 5.2A.28 G

A Firm must 'have regard to the typical time required for repayment that would apply to a fixed-sum unsecured personal loan for an amount equal to the credit limit. ...'

CONC 6.7.33 G suggests that such a term would usually be between three and four years.

And so, although I have seen that the investigator has done a calculation to get an idea of the payment amounts over the two years the card account was interest free, that's not the test. I consider that Virgin Money would have been acting reasonably if it had looked at the credit limit on the basis of it being a four year term for the equivalent of a £9,400 loan plus the addition of some interest.

An example is that £9,400 over say an equivalent loan term of say 48 months would equate to around £250 a month including interest. I have used a high interest rate as credit card interest rates can be higher than loan interest rates. And this is a hypothetical calculation and one where I've not accounted for the inevitable balance reduction as the amount was reduced when paid down. Plus, this is a rough calculation and not an exact figure. It has been used by me as a guide figure when considering the repayments that could be expected. I have kept these FCA guidance paragraphs in mind when considering the complaint.

Some of the records Virgin Money has sent to us indicates that when Mr H applied for the card in January 2020 he wanted a balance transfer of £8,000. There was a promotional rate of 0% annual interest until 15 December 2021 which would have been almost two years.

Mr H declared an income of just under £40,000 a year and his monthly income after tax as £2,561. Virgin Money also had a note that there was a second salary of around £8,000 into the household.

Virgin Money had looked at Mr H's overall debt situation and knew that at the time he applied he had £32,700 outstanding of which around £17,800 was revolving debt (meaning accounts such as credit cards) and around £14,800 was non-revolving debt. Virgin Money did some checks which showed it that these were costing Mr H around £735 and around £352 each month respectively which added up to £1,087. I consider these figures fair.

Virgin Money knew Mr H had nine active accounts and he had a mortgage of £74,000 which Mr H had declared costed him £600 each month. Virgin Money's research showed he paid £336 each month to his mortgage. For the calculations I have done using these figures then the debt costs each month were £1,087 and even if I use the full mortgage cost of £600 then that comes to £1,687. With a verified net income of £2,561 each month that left Mr H with enough disposable income to cover other costs such as bills, car costs, insurances, and food.

Virgin Money's credit search had informed it that Mr H had had no recent defaults or any insolvency markers and no other adverse data. So, it had no reason to be further concerned.

In the circumstances, I consider Virgin Money carried out proportionate checks, and applied a credit limit of £9,400 which was proportionate to the information it had about Mr H. And applying the FCA guidance I consider that Virgin Money had evidence to determine that the card was affordable. I do not uphold Mr H's complaint about the initial card approval.

Balance transfer

In addition to the circumstances already outlined, I think that Mr H had opened the account in order to carry out a balance transfer. As such the £8,000 being transferred to the Virgin Money card in January 2020 would have led to his total revolving credit figure of £17,800 inevitable being reduced on another card but overall remaining the same. And so, this was not a further £9,400 of credit being approved – it was a further £1,400 of credit being approved. If Mr H was getting a better interest rate (0% for almost two years) for the existing £8,000 debt than that was a debt management choice made by him.

I've reviewed the payment transaction data Virgin Money has sent to us. It shows that by 6 September 2021 – still within the 0% interest period – Mr H had paid off £8,707. The fact that Mr H appeared to have continued to use the card would have been a matter for him.

Where Mr H says that Virgin Money allowed him to continue borrowing, it did not. It made no credit limit increases. And it would have had no reason to stop Mr H from using the card when he had been regularly making larger than usual repayments to the card for the whole time he'd held the account until he approached them in May 2024 to say he was having money troubles.

I have reviewed another complaint we have for Mr H in relation to another credit card provided by a different lender which was opened in December 2018 with a £10,000 credit limit. That credit limit was reduced to £3,000 in September 2021. Therefore, I think it reasonable of me to conclude that Mr H was aware he could have approached Virgin Money for a credit limit reduction if he had wanted it around the same time or at a time of his choosing. And so, I am not persuaded that Mr H was unaware of this option.

Added to which, the payment transaction list demonstrates to me that Virgin Money would have seen good account management from Mr H for the period up to when he contacted it in May 2024 to say he was having money troubles. And so, I have no reason to conclude that Virgin Money derogated from its requirement to continue to monitor the account. As the good payment history would not have pointed to payment concerns.

And I consider it disproportionate that Virgin Money ought to have been expected to have carried out a financial review on Mr H when the records show that no credit limit increase was offered. Further, the records indicate that when applying for the card Mr H had ticked the option to not receive automatic credit limit increases.

Did Virgin Money act unfairly towards Mr H in some other way?

Mr H informed Virgin Money of financial hardship in May 2024. This was due to a reduction in income and increase in costs of living expenses. By mid-July 2024 Mr H's outstanding balance on the card was £9,600. The account since has been sold to a debt purchaser in November 2024.

Mr H received a letter in May 2024 to outline the plan he had arranged with Virgin Money to manage the account going forward. It had said that there'd be no more interest or charges added but he'd still have to reduce the balance. The card was suspended for further use.

These seem fair and reasonable forbearance actions by Virgin Money.

I've also considered whether Virgin Money acted unfairly or unreasonably in any other way and I have considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974.

However, for the reasons I've already given, I don't think it lent irresponsibly to Mr H or otherwise treated him 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.

In all, I plan not to uphold the complaint.

This is the end of the duplicated provisional 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.

Mr H responded in detail to my provisional decision. On the back of those points from Mr H, we wrote to Virgin Money to ask for a recorded call that Mr H says he can remember taking place where it discussed affordability with him. The dates Mr H gave were in January 2020. But Virgin Money has responded recently to say that it has no record of that call and has no recording either. Mr H cannot remember what was said during the call so I can take it no further.

Other elements Mr H has said are summarised below:

- Mr H has explained that he does not have access to any current account or credit card statements before April 2022. So, he's tried to estimate his costs for 2020.
- The £600 figure for the mortgage included other associated costs such as it being a 'shared ownership' plus there were service charges and rent charges on top.
- Mr H does not think that the figures used in the provisional decision as disposable income would have left him with enough each month
- His spending in 2020 was out of control
- Virgin Money knew that by lending he'd get deeper and deeper into debt
- The other credit card lender referred to in the provisional decision reduced his credit limit from £10,000 to £3,000. Virgin Money ought to have done the same
- *'Virgin money could have made it easier for their clients to reduce their credit limit, but to my recollection this would have involved a telephone call to a call centre and a long wait on the telephone. Had it been made possible through the app I would have done so.'*
- Virgin Money could have done more.

I've reconsidered all of the complaint and what Mr H has said. We cannot accept estimated costs. That's not fair nor reasonable when I'm being asked to resolve a complaint about irresponsible lending.

As I said in my provisional decision, Virgin Money knew at the time of the application Mr H had nine active accounts and he had a mortgage of £74,000 which Mr H had declared cost him £600 each month. Virgin Money's research showed he paid £336 each month to his mortgage. For the calculations I have done using these figures then the debt costs each month were £1,087 and I used the full mortgage cost of £600. That added up to £1,687. With a verified net income of £2,561 each month that left Mr H with enough disposable income to cover other costs such as bills, car costs, insurances, and food.

Virgin Money's credit search had informed it that Mr H had had no recent defaults or any insolvency markers and no other adverse data. So, it had no reason to be further concerned or to have probed more deeply into his financial circumstances.

As I said in my provisional decision, I used the Financial Conduct Authority (FCA) CONC guide to assist me in coming to these conclusions. Extracts from these are set out again here: CONC 5.2A.28 G

A Firm must 'have regard to the typical time required for repayment that would apply to a fixed-sum unsecured personal loan for an amount equal to the credit limit. ...'

CONC 6.7.33 G suggests that such a term would usually be between three and four years.

The calculations I did and set out in the provisional decision were too rough to be specific and I did not use any particular figure when looking at the complaint again. I kept these FCA guidance paragraphs in mind when considering the complaint and treated them as a guide.

In the circumstances, I remain of the view that Virgin Money carried out proportionate checks, and applied a credit limit of £9,400 which was proportionate to the information it had about Mr H. And applying the FCA guidance I consider that Virgin Money had evidence to determine that the card was affordable. I do not uphold Mr H's complaint about the initial card approval.

In my view Virgin Money did not allow Mr H to continue borrowing. It made no credit limit increases. And it would have had no reason to stop Mr H from using the card or to reduce his credit limit when he had been regularly making larger than usual repayments to the card for the whole time he'd held the account until he approached Virgin Money in May 2024 to say he was having money troubles.

And Mr H's recent submissions demonstrate that Mr H thought that if there'd been a method in the Virgin Money on-line App to make the changes to the credit limit he would have done it. But the fact it had to have been by telephone was too long a process for him. But the method of how that objective could have been achieved is not a reason not to do it.

Overall, I am satisfied that Virgin Money did nothing wrong by approving the card in the first place and would not have been expected to have reduced his credit limit during the life of the card considering the good account management it would have seen from its own records.

Mr H has said nothing further about the way that the debt has been approached by Virgin Money since May 2024. And so I have nothing further to add.

I've also considered whether Virgin Money acted unfairly or unreasonably in any other way and I have considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974.

However, for the reasons I've already given, I don't think it lent irresponsibly to Mr H or otherwise treated him 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.

I do not uphold Mr H's complaint. I realise he'll be disappointed.

My final decision

My final decision is that I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 29 May 2025.

Rachael Williams
Ombudsman