

The complaint

Miss B complains that Clydesdale Bank Plc trading as Virgin Money lent to her irresponsibly.

What happened

In 2016, Virgin Money gave Miss B a credit card with a limit of £5,100. It increased the credit limit in August 2017 to £9,000 and in July 2018 to £9,500.

Miss B complains that Virgin Money lent to her irresponsibly when it increased her credit limit. She said she never paid more than the minimum payment. But when the interest rate went up in 2021 she could not even afford that. Miss B said that she entered into a payment arrangement with Virgin Money – but Virgin Money ended it without any notice, collected the minimum payment and refused to set up a new payment arrangement.

The investigator thought that Virgin Money did not carry out adequate checks in respect of the first credit limit increase – and if it had done so it would not have approved the credit limit increase. She said Virgin Money should rework the account as if no interest, fees, charges or insurances were applied to balances above £5,100 after August 2017.

The investigator did not think that Virgin Money had treated Miss B unfairly when she experienced financial difficulty.

Miss B accepted what the investigator said in respect of the decision to increase her credit limit. Virgin Money did not.

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.

Irresponsible lending

Virgin Money needed to make sure it didn't lend irresponsibly. In practice that meant that it should have carried out proportionate checks to understand whether Miss B could repay the debt it gave her. Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify that information – in the early stages of a lending relationship.

But we might think that a lender needed to do more if, for example the amount lent was high in relation to the borrower's income. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. The lender will also have more data about how the borrower managed their account. We'd expect a lender to show that it did not continue to lend to a customer irresponsibly.

Miss B's complaint was about the credit limit increases. But for the avoidance of doubt, I don't consider it was unreasonable for Virgin Money to agree the original lending, bearing in

mind the credit limit that was agreed, the stage of the lending relationship and what it knew about Miss B.

Virgin Money told us that for the first credit limit increase it assumed Miss B's income had increased in line with inflation and used that amount as her net income. It carried out a credit scoring exercise that looked at the total amount of unsecured debt held by Miss B (£12,564), how much was revolving credit (£6,490) and identified accounts that were likely to experience payment problems due to the level and type of credit commitments. Virgin Money said the score produced was "*low and well within strategy parameters*."

Miss B has given us a screenshot of her "*credit card account at a glance*" from Virgin Money for the period when a payment was due on 23 August 2017 – so around the time Virgin Money increased her credit limit. It shows that she'd only paid the minimum payment that month and her balance had increased from £1,820.32 to £4,796.82 in a month. That could indicate that Miss B was experiencing some pressure on her finances and that increasing her credit limit might not be in her best interests at that point.

Virgin Money was increasing Miss B's credit limit from £5,100 to £9,000. That was a large increase in a relatively short period of time that significantly increased the overall amount of debt that Miss B had relative to her income. In view of that, I consider a responsible lender acting reasonably ought to have done more to verify Miss B's income and expenditure.

We have Miss B's bank statements for the three months before the credit limit increase. They show that she was supplementing her income with money transfers from credit cards. If we deduct those transfers from the money going into Miss B's bank account, her expenditure significantly exceeds her income. Further, we can see that she incurred an unpaid transaction fee in May 2017.

I consider if Virgin Money had carried out proportionate and fair checks it would not have agreed the credit limit increase in August 2017. It ought to have done more to verify Miss B's income and expenditure. If it had done so, a responsible lender could not reasonably have concluded that increasing Miss B's credit limit was sustainable bearing in mind the evidence suggested she was struggling to manage as she was. So I do not consider Virgin Money acted fairly when it increased the limit in August 2017.

As I've found that the first credit limit increase was unfair, it follows, that the second credit limit increase was also unfair. And I note that Virgin Money had already detected a deterioration in Miss B's position in the checks it did carry out.

I consider that Virgin Money should have increased Miss B's credit limit from the original limit of £5,100. Therefore, it should not apply any interest or fees on any balances over £5,100. Miss B had the benefit of the money she borrowed, so it is reasonable for Virgin Money to look for her to repay it.

Virgin Money should:

- Rework Miss B's account as if no interest, fees, charges and insurance (that have not already been refunded) were applied to Miss B's credit card where the balance was over £5,100.
- If the rework results in a credit balance, this should be refunded to Miss B along with interest at 8% simple per year from the date of each overpayment to the date of settlement. Clydesdale should remove all adverse information from Miss B's credit file recorded after August 2017.

- If a balance remains after the rework, Virgin Money should arrange an affordable repayment plan for the remaining balance. Once it is repaid it should remove any adverse data it has recorded on Miss B's credit file in respect of the credit card.

Financial difficulty

Virgin Money was required to treat Miss B fairly when she experienced financial difficulty. I think it has done so.

Virgin Money initially agreed a short term payment plan with Miss B, where she paid a reduced amount to the debt. I am satisfied that it told her the maximum length of time the plan could run for was nine months. It also tried to contact her before the plan ended. I think Virgin Money acted reasonably. The purpose of the plan was to give Miss B time to get back on her feet.

When the plan ended Virgin Money collected the contractual minimum payment. That was not unreasonable bearing in mind that the agreed plan had ended and Virgin Money had taken reasonable steps to tell Miss B what would happen. Virgin Money later gathered information about Miss B's income and expenditure. That was in line with the steps a lender should take in those circumstances. But the information Miss B gave Virgin Money showed she had a deficit.

Virgin Money said one option was for Miss B were to go on what it called a "hardship plan", where she was required to pay a percentage of the balance each month, but interest and charges would be frozen. Miss B rejected that. Virgin Money explained that if Miss B did not make the payments that were due her account would go into default and would be passed to a debt collector.

I am satisfied that Virgin Money took reasonable steps to gather information about Miss B's circumstances. It offered forbearance in the original repayment plan and in offering a hardship plan where interest and charges would be suspended. But as Miss B did not agree to that, then it was reasonable for it consider the account was in default when she did not make the payments that were due. In the circumstances, I do not consider it was unreasonable for Virgin Money to treat the account as being in default.

My final decision

My final decision is that Clydesdale Bank Plc trading as Virgin Money should take the steps set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 29 July 2025.

Ken Rose
Ombudsman