

The complaint

Mr M complains that Clydesdale Bank Plc trading as Virgin Money lent irresponsibly when it approved his credit card application and later increased the credit limit.

What happened

The background to this complaint and my initial conclusions were set out in a provisional decision. I said:

Mr M applied for a credit card in May 2020. In his application, Mr M said he was renting at £325 a month and earning £47,000 that Virgin Money calculated left him with £2,966 a month. Virgin Money carried out a credit search and found Mr M had existing debts totalling £26,800 and was making monthly repayments of £914. Virgin Money applied the rent figure of £325 and estimates of his other outgoings and says he had around £577 a month left as disposable income. Virgin Money approved Mr M's application and issued a credit card with a limit of £6,500. Virgin Money says Mr M used his new credit card for a balance transfer of £1,414.

In February 2021 Virgin Money increased Mr M's credit limit to £10,500. Virgin Money's told us that in 2023, Mr M's credit limit was reduced to £6,500 again.

In 2024 Mr M struggled with payments and obtained advice from an organisation that deals with debt.

Mr M went on to complain that Virgin Money lent irresponsibly and it issued a final response. Virgin Money said it had carried out the relevant lending checks before approving Mr M's application and increasing the credit limit and didn't agree it lent irresponsibly. Virgin Money also said it had agreed to suspend interest in February 2024 but that the amount Mr M offered wasn't sufficient to agree a formal payment arrangement.

An investigator at this service looked at Mr M's complaint. They weren't persuaded that Virgin Money had completed reasonable or proportionate lending checks before approving Mr M's application and increasing the credit limit and asked him to supply bank statements for the months before each lending decision. When the investigator looked at Mr M's bank statements they thought he had sufficient disposable income after covering his existing outgoings to afford the borrowing with Virgin Money and didn't uphold his complaint. Mr M asked to appeal, so his complaint has been passed to me to make a decision.

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.

Before agreeing to lend or increasing the credit limit, the rules say Virgin Money had to complete reasonable and proportionate checks to ensure Mr M 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 understand Mr M gave details of his household income in the application but I haven't seen anything that shows Virgin Money sought to get a clear understanding of his partner's income or outgoings. I've only taken Mr M's income into account when looking at his complaint. Virgin Money's confirmed it verified the level of income Mr M declared via a service provided by the credit reference agencies that looks at current account turnover. So I'm satisfied Virgin Money was working with a reasonably accurate income figure.

Whilst I understand there were no significant issues on Mr M's credit file, his other unsecured debts were reasonably high when compared against his income. Mr M owed around £26,800 in other unsecured debts and was making a monthly payment of £914, according to the credit file data Virgin Money obtained. That's a reasonably large portion of Mr M's monthly income in my view. And whilst I understand Virgin Money reached the view Mr M had an estimated disposable income of £577 a month, I've not been able to reach the same figure using the data provided. I also think it's fair to note the initial credit limit of £6,500 was reasonably high, especially when considering Mr M's existing debts. In my view, it would've been reasonable for Virgin Money to have considered a more detailed approach to Mr M's application before approving it to get a better understanding of his income and outgoings. One option available to Virgin Money would've been to look at Mr M's bank statements for the preceding months which is what I've done.

Mr M's bank statements show he was making regular transfers of £770 to a joint account for bills. Mr M also had committed outgoings from his sole account that averaged around £1,065 a month. On average, Mr M's outgoings came to £1,835 against an average income of £3,070. That left Mr M with around £1,235 to cover his remaining outgoings for items like food and transport. Mr M's bank statements don't show any signs of financial difficulty and I can see he was making regular payments of £600 to an ISA. In my view, Mr M's bank statements show he was in a position to sustainably afford repayments to a credit card with a limit of £6,500. I think it's more likely than not that if Virgin Money had checked Mr M's bank statements during the application process it would've still approved his credit card with a limit of £6,500. I'm sorry to disappoint Mr M but I haven't been persuaded Virgin Money lent irresponsibly when it approved his credit card application.

Virgin Money's lending data doesn't include the affordability checks it carried out when increasing the credit limit to £10,500 in February 2021. So I'm unable to reasonably conclude Virgin Money carried out reasonable and proportionate lending checks. As a result, I've looked at Mr M's bank statements to get a clearer picture of his circumstances at the time.

I can see Mr M transferred between £770 and £780 a month to a joint account with his partner. Those statements show the joint account was primarily used to cover household

bills, although I can see some payments to creditors as well. Mr M's sole named bank statements show he was earning around £3,000 a month and that his other outgoings were around £1,200. So on the face of it, the credit limit increase was affordable. But Mr M's bank statements show his spending habits had changed.

When bringing his complaint, Mr M told us he was suffering with a gambling addiction at the time he was borrowing from Virgin Money. And Mr M's bank statements show that in the months leading up to the February 2021 credit limit increase, he was gambling at a high rate. I found payments to online gambling businesses totalling £977 in November 2020, £758 in December 2020 and £532 in January 2021. That doesn't take into account the large number of cash withdrawals Mr M was also making which is often an indication of a gambling addiction. So whilst I agree that, on paper, the credit limit increase to £10,500 was affordable, I think Mr M's bank statements show he wasn't spending in a sustainable way.

In my view, if Virgin Money had carried out more comprehensive checks, like reviewing Mr M's bank statements, it would've found he was gambling at a high and unsustainable rate and declined to lend further. As a result, I agree with Mr M's view that the decision to increase his credit limit to £10,500 wasn't reasonable and that Virgin Money lent irresponsibly. Based on the information I've seen, I intend to tell Virgin Money to refund all interest, fees and charges applied to Mr M's credit card on balances over £6,500 from February 2021 onwards.

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 Mr M in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

I invited both parties to respond with any further information or comments they wanted me to consider before I made my final decision. Mr M responded to confirm he was willing to accept. We didn't receive a response from Virgin Money.

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.

As no new information has been provided and Mr M has confirmed he's willing to proceed I see no reason to change the conclusions I reached in my provisional decision. I still think Mr M's complaint should be upheld, for the same reasons.

My final decision

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

- Rework the account removing all interest, fees, charges and insurances (not already refunded) that have been applied to balances above £6,500 after February 2021.
- If the rework results in a credit balance, this should be refunded to Mr M 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 recorded after February 2021 regarding this account from Mr M's credit file.
- Or, if after the rework the outstanding balance still exceeds £6,500, Virgin Money should arrange an affordable repayment plan with Mr M for the remaining amount. Once Mr M has cleared the outstanding balance, any adverse information

recorded after February 2021 in relation to the account should be removed from their 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 Mr M a certificate showing how much tax has been taken off if he 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 Mr M to accept or reject my decision before 24 April 2025.

Marco Manente
Ombudsman