

The complaint

Mrs F's complaint relates to a credit card she had with Clydesdale Bank Plc trading as Virgin Money. She has said that she considered Virgin was irresponsible when it accepted her application, and later increased her credit limit, as neither were affordable for her.

What happened

Mrs F's credit card account was opened in May 2016 with a credit limit of £5,400.

Mrs F was asked about her circumstances at the time. She told Virgin she had an income of £21,639 and was a homeowner with a mortgage. She paid £730 toward her mortgage each month. Virgin also established her household income was £66,639 and Mrs F had £18,612 of unsecured debt over nine accounts - £7,677 of which was revolving credit. £5,000 of the revolving credit balance was to be transferred to the Virgin credit card if it was granted. There were no recent defaults or missed payments on the existing credit arrangements.

Mrs F's debt-to-income ratio was calculated at 86%, but when making the decision to lend to her, Virgin has confirmed it took the entire household income into account, rather than just hers.

Virgin increased Mrs F's credit limit as follows:

August 2017	£7,400
August 2018	£10,400
August 2019	£11,793

Mrs F lost her job in 2020 and following that she made no further payments to the credit card. Virgin sent Mrs F a notice of default on 19 January 2021 and the outstanding debt of around £11,500 was sold to a debt purchaser on 6 February 2021.

Mrs F complained to Virgin in January 2024. It responded to the complaint in a letter of 13 March 2024. It didn't think it had done anything wrong.

Mrs F wasn't satisfied with Virgin's response and referred her complaint to this Service. Two of our Investigators considered the complaint and, ultimately, the second Investigator concluded that the complaint was one we could consider in its entirety. Virgin said that while it did not agree about when Mrs F became aware of the cause for complaint, it consented to the Investigator considering the merits of the complaint. The Investigator did just that and concluded that Virgin had lent irresponsibly in relation to the initial credit limit and the subsequent ones. He recommended that Virgin rework the account as though no interest, fees or charges had been applied to the credit card. However, he considered that as Mrs F had the use of the capital borrowed, she would remain responsible for that portion of the balance of the account.

Virgin accepted the Investigator's recommendation. It highlighted that the debt had been sold on and so it would instruct the debt purchaser to reduce the balance of the account by the appropriate amount – a total of £2,082.50. Virgin also confirmed that no payments had

been made since the debt had been sold on, but it would ask the debt purchaser to discuss an affordable payment plan with Mrs F and, if the balance was cleared before February 2027 all adverse records would be removed from Mrs F's credit file.

Mrs F did not accept the Investigator's view. She considered that the entire balance should be written off due to the effect her debts were having on her mental health. Mrs F also highlighted that she would never have spent the money had she not been given the credit card. She also confirmed that her income would reduce again in the near future and if she was required to repay her debts, she would likely have to make herself bankrupt.

The Investigator explained that while we did sometimes require a lender to write off a debt, it was not something we did often and the consumer's circumstances would need to be exceptional for us to make that recommendation. He confirmed that nothing Mrs F had provided had indicated that writing off the debt was the right thing to do in her case. Mrs F was given the opportunity to provide evidence from her medical practitioners about her health situation and the impact the debts were having on it. She was also invited to provide information about her financial situation – including the affordability assessment completed by a debt charity that had been assisting her.

Mrs F provided information about her physical medical situation and a very recent fit note issued due to her mental health situation, but no information from her medical practitioner to support her debt situation having a detrimental effect on her health. Mrs F reiterated that she had no means of repaying her debts as she only had £100 a month disposable income. Mrs F speculated on the impact not having all of her debts written off would have on her personal circumstances.

Our Investigator considered the information Mrs F provided, but he was not satisfied that her circumstances were such that the debt should be written off. However, before expressing that opinion, he forwarded Mrs F's request and information about her situation to Virgin to consider. It did not agree to write off the debt.

Mrs F remained unhappy with the Investigator's conclusions. She said she felt the complaint had achieved nothing, even though the Investigator had found in her favour. She reiterated her previous comments about the impact her debts were having on her and why she considered the debt should be written off. As agreement could not be reached. It was decided that the complaint should be referred to an Ombudsman for consideration.

What I've decided – and why

At each stage of our process, we consider whether a complaint falls within our jurisdiction. While Virgin has confirmed that it does not agree with our Investigator about the trigger for Mrs F having cause for complaint, it consented to us considering the merits of the complaint. Although Virgin has consented, I would confirm that I agree with our Investigator that this complaint does fall within our jurisdiction.

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

The Financial Conduct Authority (FCA) sets out in a part of its handbook known as CONC what lenders must do when deciding whether or not to lend to a consumer. In summary, a firm must consider a customer's ability to make repayments under the agreement without having to borrow further to meet repayments or default on other obligations, and without the repayments having a significant adverse impact on the customer's financial situation.

CONC says a firm must carry out checks which are proportionate to the individual circumstances of each case. What is proportionate will vary with each lending decision and considers things such as (but not limited to): the amount of credit, the size of the repayments, the cost of the credit, the purpose the credit was taken out for and the consumer's circumstances.

I am satisfied that Virgin completed proportionate checks in relation to Mrs F's application in 2016, given the questions it asked her, the credit check and other checks it completed. However, I am in agreement with our Investigator that the assessment of the information Virgin obtained was not appropriate. As has been pointed out, based on Mrs F's income the amount of credit she already had and that added by Virgin equated to 86% of her gross income. This level of borrowing would, if it was all used, be unaffordable given that Mrs F had other commitments from her income. In addition, Virgin's own income and expenditure exercise identified that the credit was unaffordable if only her income was taken into account. As such, I do not consider that Virgin should have accepted Mrs F's application and offered her any credit.

It follows that had the initial application not been accepted, the credit limit increases could not have been granted. While Mrs F might have attempted to apply to Virgin for a credit card at the times of the credit limit increases, given that she has evidenced her income from 2017 was lower than that in 2016, I think it unlikely that she would have been given borrowing at those times.

I am pleased to see that Virgin accepted our Investigator's conclusions when he recommended that the complaint be upheld on the basis that Mrs F's application should not have been accepted and no credit offered to her.

Mrs F has disagreed with the redress the Investigator recommended as he did not recommend that the debt be written off. I have considered the information Mrs F has provided about her medical and financial situations. I acknowledge that Mrs F's situation is difficult and she has financial limitations, but I don't consider that the evidence suggests the situation is such that I could require the debt to be written off. As such, I would recommend that Mrs F discusses the way forward with the owner of the debt, either directly or through a body that can assist her if that would be preferable for her. I say this as there would appear to be the ability for her to make some payments to her debts and that there is the potential for economies to be made in the future that could assist with the situation. Any arrangement made would be subject to review and would take into account any changes to Mrs F's circumstances.

I have also considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, I am satisfied the redress below results in fair compensation for Mrs F in the circumstances of this complaint. I am satisfied, based on what I have seen, that no additional award would be appropriate in this case.

Putting things right

As Mrs F has had the benefit of the money lent to her, it is fair she should repay the capital borrowed, but she has also paid interest and charges/fees that should not have been incurred. As such, I consider Virgin should:

- Rework the account removing all interest, fees and charges (not already refunded) that have been applied to the account.
- Virgin has completed this rework and there is still an outstanding balance. As such, Virgin should arrange for the debt purchaser to speak to Mrs F about an affordable repayment plan being put in place for the remaining amount. Once Mrs F has cleared the

balance, any adverse information in relation to the account should be removed from her credit file.

My final decision

My final decision is that I uphold this complaint. I order Clydesdale Bank Plc trading as Virgin Money to settle the complaint as detailed above in 'Putting things right'.

Under the rules of the Financial Ombudsman Service, I am required to ask Mrs F to accept or reject my decision before 30 May 2025.

Derry Baxter
Ombudsman