The complaint

Mr M complains that Clydesdale Bank Plc, trading as Virgin Money, lent to him irresponsibly.

Mr M is supported in bringing this complaint by a representative. But, for ease, I'll refer to Mr M throughout.

What happened

Virgin Money provided Mr M with a credit card in August 2019, with a limit of £4,500. The credit limit was never increased.

In summary, Mr M thinks Virgin Money failed to carry out proportionate checks before lending to him.

Virgin Money reviewed Mr M's complaint and didn't think it had lent irresponsibly. In summary, it said the decision to approve the application was made using details provided by Mr M, and information from the Credit Reference Agencies about other products he held. Virgin Money said there were no indications of financial difficulties when the account was opened. Overall, it didn't uphold Mr M's complaint.

Mr M remained unhappy and brought his complaint to this service. An Investigator here reviewed matters but didn't recommend that the complaint be upheld. In summary, she thought Virgin Money ought to have asked Mr M for more information about his circumstances. However, she thought it would have still lent to Mr M even if it had asked more questions.

Virgin Money didn't dispute our Investigator's findings, but Mr M did. In summary, he said his bank statements showed he was in significant financial difficulty at the time. He said his account was consistently overdrawn and there were regular and extensive gambling transactions which Virgin Money would have seen had it reviewed his bank statements. He also said the income and expenditure information Virgin Money relied on wasn't reflective of his actual circumstances. Additionally, his credit file showed a pattern of high-cost, short-term borrowing.

Ultimately, an agreement hasn't been reached. So, the case has been passed to me to decide.

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.

The rules and regulations in place at the time Virgin Money provided Mr M with credit required it to carry out a reasonable and proportionate assessment of whether he could afford to repay what he owed in a sustainable manner. This is sometimes referred to as an 'affordability assessment' or 'affordability check'.

The checks had to be 'borrower' focused. This means Virgin Money had to think about whether repaying the credit sustainably would cause difficulties or adverse consequences for Mr M. In other words, it wasn't enough for Virgin Money to consider the likelihood of it getting the funds back – it had to consider the impact of any repayments on Mr M.

Checks also had to be 'proportionate' to the specific circumstances of the lending. In general, what constitutes a proportionate affordability check will be dependent on a number of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, any indications of vulnerability or financial difficulty) and the amount/type/cost of credit they were seeking. I've kept all of this in mind when thinking about whether Virgin Money did what it needed to before lending to Mr M.

Mr M's credit card was a revolving credit facility, and so Virgin Money needed to be satisfied that he could repay the limit of £4,500 within a reasonable period of time, rather than in one go. Before providing the credit card limit of £4,500, Virgin Money asked Mr M for information about his circumstances. Mr M said he was employed and had a gross annual income of £30,000. Virgin Money says it validated this income by reviewing current account turnover, and recorded Mr M's net monthly income as close to £2,000.

Virgin Money also carried out a credit check which showed that Mr M had eight accounts, revolving debt of £5,582 and non-revolving debt of £7,520. Its checks showed this was all being managed well with no recent issues, no defaults and no County Court Judgements recorded. I acknowledge that Mr M said he had a history of high-cost, short-term borrowing. Though I can't see this information translated in Virgin Money's checks – ultimately, his existing credit picture didn't suggest he was having financial difficulties.

After calculating Mr M's housing costs, essential expenditure and credit commitments, Virgin Money worked out that he had a disposable income of around £377 – I've understood this figure to be a monthly figure.

Our Investigator thought Virgin Money ought to have found out more about Mr M's circumstances before lending. Whilst there were no obvious issues in the checks carried out, in the circumstances of this case, I have considered the amount Virgin Money was proposing to lend, and that Mr M already had existing debts. It's not clear to me exactly how Virgin Money gathered information about Mr M's expenditure and the figures reached. So, in all the circumstances, I don't think it would have been unreasonable for it to have obtained more information about his actual committed non-discretionary expenditure. Though, I think this is the furthest its checks needed to go in the circumstances.

I note that some of the information Virgin Money provided suggests that Mr M had nine dependents at the time, but other information suggests it didn't ask Mr M this question. In further correspondence with this service, Virgin Money explained that the figure referred to was pre-populated and said it didn't ask Mr M this question. Mr M also told this service he had one dependent at the time. Therefore, this information doesn't change the finding I've reached above.

I've reviewed Mr M's bank statements from around the time the lending decision was made, as it's a way for me to retrospectively piece together what Virgin Money likely would have understood had it obtained further information about Mr M's committed non-discretionary expenditure. Though, to be clear, I don't think Virgin Money needed to review the statements at the time. I'm persuaded that the most it needed to understand more about was Mr M's committed non-discretionary expenditure, which it could have done in a variety of ways. Having reviewed this information, I think it's likely further checks would have revealed that a credit card limit of £4,500 was likely to be affordable.

I appreciate Mr M thinks Virgin Money should have reviewed his bank statements before lending and, had it done so, it would have seen he was gambling regularly, and the account was often overdrawn. It’s possible, though not certain, that the review Mr M thinks Virgin ought to have undertaken may have meant it reached a different decision. However, in the circumstances of this case, I don’t think proportionate checks needed to stretch as far as reviewing Mr M’s bank statements. Considering what Virgin Money already knew about Mr M’s circumstances, I think proportionate checks would have only extended into understanding more about his committed non-discretionary expenditure at the most. With that in mind, I think it’s unlikely the gambling transactions or the overdraft usage Mr M refers to would have revealed itself had proportionate checks been carried out at the time.

Therefore, having carefully considered all the available information, I’m not persuaded that Virgin Money irresponsibly provided Mr M with the credit card. I’ve also considered whether the relationship might have been unfair under Section140A of the Consumer Credit Act 1974. However, for the reasons I’ve already given, I don’t think Virgin Money lent irresponsibly to Mr M 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.

My final decision

My final decision is that I don’t uphold this complaint for the reasons outlined above.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr M to accept or reject my decision before 13 June 2025.

Hana Yousef
Ombudsman