

The complaint

Ms M complains that Clydesdale Bank Plc trading as Virgin Money have irresponsibly lent to her.

What happened

Ms M was approved for a Virgin Money credit card in June 2022 with a £2,400 credit limit. Ms M says Virgin Money irresponsibly lent to her. Ms M made a complaint to Virgin Money.

Virgin Money did not uphold Ms M's complaint. They said they use a combination of factors when reviewing applications. The decision to approve the application was made using the details provided by Ms M and information held with the Credit Reference Agencies (CRA's) about the performance of other products she held.

Virgin Money said at the time of Ms M's application there was nothing provided by her, nor in their validation of the information she provided, that indicated financial difficulties when the account was opened with them. Ms M brought her complaint to our service.

Our investigator did not uphold Ms M's complaint. He said although Virgin Money should have completed further checks, if they did complete further checks they still would have made a fair lending decision.

Ms M asked for an ombudsman to review her complaint. She made a number of points. In summary, she said she had more unsecured debt than what Virgin Money's checks said she had as she had also recently taken out a consolidation loan. She said they did not ask about her financial history, nor did they complete full proportionate checks for the credit limit they gave her. She felt if they looked at her bank statements they wouldn't have approved the application.

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.

Firstly, I'm aware that I've only summarised Ms M's complaint points. And I'm not going to respond to every single point made by her. No discourtesy is intended by this. It simply reflects the informal nature of our service as a free alternative to the courts. If there's something I haven't mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual point to be able to reach what I think is a fair outcome.

Before agreeing to approve the credit available to Ms M, Virgin Money needed to make proportionate checks to determine whether the credit was affordable and sustainable for her. There's no prescribed list of checks a lender should make. But the kind of things I expect lenders to consider include - but are not limited to: the type and amount of credit, the borrower's income and credit history, the amount and frequency of repayments, as well as the consumer's personal circumstances. I've listed below what checks Virgin Money have done and whether I'm persuaded these checks were proportionate.

The information showed that Ms M had no County Court Judgements (CCJ's) or defaults being reported by the CRA, and no accounts in arrears at the time of the checks. So Virgin Money were aware of her financial history. There's no requirement for Virgin Money to automatically request full credit files or bank statements as part of their checks.

Ms M had been one month in arrears on an account within six months prior to the checks, so this could be a sign of financial difficulty. But it also could have been an oversight. This does appear to be an oversight here as Ms M had cleared the arrears prior to the checks.

Ms M declared a gross annual salary of £53,000, which Virgin Money calculated to be around £3,273 a month. The CRA informed Virgin Money that Ms M had unsecured debt of £2,609, which £1,473 was for revolving debt (such as any credit cards/store cards/overdrafts she had). The remaining £1,136 was for non-revolving debt (such as personal loans/hire purchase agreements etc).

I've considered what Ms M has said about her having more debt than what Virgin Money said she had. But Virgin Money are entitled to rely on information from a CRA. It could be different for a couple of reasons. One of these is if her lenders don't report to all of the available CRA's, which I couldn't hold Virgin Money responsible for this.

Another reason could be that Ms M told us she had recently opened a consolidation loan not long before the Virgin Money credit card was applied for. Credit files typically take 4-6 weeks to update, so it's possible the consolidation loan would not be showing on her credit file at the time of Virgin Money's checks, but again, I can't fairly say this would be foreseeable to Virgin Money as they would be entitled to rely on the information they were given by the CRA.

So Ms M's existing unsecured debt being reported by the CRA they used at the time of Virgin Money's checks would have equated to around 4.9% of her declared gross annual income. Virgin Money also completed an affordability assessment using information from the CRA and modelling to calculate Ms M's disposable income, and the results of this showed that Ms M would be able to sustainably afford repayments for a £2,400 credit limit. They had also been able to verify her income with information from the CRA.

The new credit limit was around 4.5% of Ms M's declared gross annual income. So even if she did not use any of this credit limit to pay off any other debt she had, and it was added to what the CRA told Virgin Money her unsecured debt would be, then Virgin Money would believe she would have total unsecured debt of £5,009 (her existing £2,609 unsecured debt and assuming she used the full £2,400 credit limit on the Virgin Money credit card). This would equate to under 9.5% of Ms M's declared gross annual income.

So based on the checks Virgin Money completed, it would not be proportionate for Virgin Money to have requested Ms M's bank statements or any information directly from her. I'm persuaded that their checks for this lending decision were proportionate, and that they made a fair lending decision here.

I've also 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 Virgin Money lent irresponsibly to Ms M or otherwise treated her 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

I do not uphold this complaint.

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

Gregory Sloanes
Ombudsman