

## **The complaint**

Miss T complains that Clydesdale Bank Plc trading as Virgin Money ("Virgin Money") irresponsibly provided her with a credit card.

## **What happened**

Virgin Money provided Miss T with a credit card with a limit of £6,800 in July 2023. It appears the credit limit wasn't increased. I understand the account is currently in arrears.

Miss T complained to Virgin Money. In summary, she said Virgin Money shouldn't have allowed her to open an account with such a large credit limit. Miss T said had Virgin Money checked her credit record, it would have seen that she'd taken out a lot of other credit. And this ought to have highlighted she was struggling with her finances, and it wasn't responsible to lend to her.

In its final response letter, Virgin Money didn't uphold Miss T's complaint because it didn't agree the lending was irresponsible. Miss T remained unhappy and brought her complaint to this service.

Our Investigator considered both what Miss T and Virgin Money had said. They concluded Virgin Money had lent to Miss T irresponsibly because its affordability calculations at the time of lending didn't leave her with sufficient disposable income each month.

Miss T didn't dispute the Investigator's findings. But Virgin Money disagreed.

In summary, Virgin Money said:

- It relied on its internal model which uses demographic factors to estimate a reasonable level of income for an applicant.
- As Miss T took advantage of the 0% interest rate offered on balance transfers, she consolidated her debt and extended the repayment period to December 2025.
- Despite Miss T setting up a direct debit to make payments of £200 per month and despite the Investigator calculating a minimum payment at around 2.5% of the balance, the monthly minimum payment required on the account was 1% which, for the first statement month, would have been around £67.

In response and in summary, the Investigator said they didn't feel that verifying Miss T's income using its internal model was sufficient in this instance. They also said they hadn't used the figure of the 1% minimum payment on the basis that wouldn't clear the balance over a reasonable period of time. Instead, using a payment that did clear the balance over a reasonable period of time would indicate the lending was unaffordable.

Virgin Money responded to say it didn't agree and in summary, it didn't think the Investigator should be using 2.5% to calculate the minimum monthly payment. It said it's up to the customer to decide if they wish to clear the balance within the 0% interest-free period or move the balance to another provider at that time. And Virgin Money felt life events have since meant Miss T couldn't afford payments on the card but it wouldn't have been able to predict this. Virgin Money requested the complaint be reviewed by an Ombudsman.

Because an agreement couldn't be reached, the complaint has been passed to me to decide on the matter.

### **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.

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Miss T's complaint.

Having carefully considered everything provided, I'm upholding Miss T's complaint – and I'll explain why.

Virgin Money needed to make sure it didn't lend irresponsibly. This means it needed to carry out proportionate checks to understand whether Miss T could afford to repay before providing the credit card. Generally, it might be reasonable and proportionate for a lender's checks to be less thorough (in terms of how much information it gathers and what it does to verify it) in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show it didn't continue to lend to its customer irresponsibly.

When Miss T was provided with the credit card in July 2023, with a limit of £6,800, Virgin Money was required to understand whether Miss T could sustainably repay the full amount it was prepared to lend within a reasonable period of time.

When providing Miss T with the credit, Virgin Money's checks showed:

- Miss T's annual household income was around £32,447. Virgin Money says Miss T's income was validated based on modelled expectations.
- Miss T declared she was a homeowner and paid around £500 per month towards her mortgage. However, Virgin Money said the data it had access to suggested Miss T's payments were in fact around £648 and therefore it used that figure for its affordability calculations.
- Miss T's debt to income ratio was around 28%.
- Miss T had around £7,099 in revolving debt (for example credit cards or overdrafts) and her non-revolving debt (for example loans) was around £2,204.
- Miss T had at least 9 active accounts.

- Miss T hadn't had any issues with recent payments, there were no recorded CCJs nor defaults and no cash advances in the last three months.
- It calculated her monthly disposable income at around £206.56. Its calculations were as follows: net monthly income of £2,108.65, mortgage payment of £648, essential expenditure of £1,027.52, revolving debt payment of £8.57, non-revolving debt payments of £218.
- Miss T requested balance transfers around the same time as applying for the card and subsequently used it to carry out balance transfers to other creditors – altogether she transferred around £6,450. This attracted around £226 in balance transfer fees.

Given the amount it was lending against Miss T's credit commitments, I would have expected Virgin Money to have carried out some further checks – such as verifying her income or finding out what her actual committed living expenses were. Virgin Money has disagreed it ought to have done this. But, irrespective of whether it carried out proportionate checks, I agree with the Investigator that Virgin Money ought not to have lent, based on the information it already had available at the time of lending. I say this because the information Virgin Money relied on to calculate Miss T's disposable income, suggests the lending wasn't affordable – and I'll explain why.

Despite Virgin Money relying on the minimum repayment of 1% of the balance to calculate whether Miss T could afford to pay, Virgin Money actually needed to understand whether Miss T could repay £6,800 within a reasonable period of time. The guidance on a reasonable period of time is found in the Consumer Credit Sourcebook (CONC) 5.2A.28G. It states a lender should have regard to the typical time required for a repayment that would apply to a fixed-sum unsecured personal loan for an amount equal to the credit limit. If Miss T only made the minimum repayments, she wouldn't have been able to repay the full balance within a reasonable period of time.

Given Miss T only had around £200 left in disposable income each month, even if I use Virgin's calculations at 1% for the payments, this wouldn't leave a sufficient amount to account for unforeseen circumstances. But in reality, as explained above, to clear the balance within a reasonable period of time, Miss T would have to pay more than 1% of the balance each month. And therefore, she certainly wouldn't be left with sufficient disposable income, making the payments required unsustainable.

I appreciate Virgin Money says Miss T benefitted from a long 0% interest period on this card. And I can even see she transferred most of her debt to this card. So I accept the interest rate on this card may well have been a better deal than what she already had on her existing credit - but it's only a better deal, provided she could afford to make the repayments. And it's clear she couldn't. In fact, whilst not on its own indicative of whether the initial lending was unaffordable, it's worth noting Miss T did later fall into difficulties and after missing a payment, the 0% promotional offer was revoked. Based on what I've seen, this would have been foreseeable at the time of lending.

Put simply, Miss T, based on Virgin Money's own calculations, didn't appear to have enough money left each month to make sustainable repayments towards her debt. Therefore, I'm satisfied it was wrong for Virgin Money to have lent to Miss T.

### **Putting things right**

As Miss T had the benefit of the money lent to her, it's fair she should repay the capital borrowed, but she's also paid interest and charges on credit that shouldn't have been given.

So Virgin Money should:

- Rework the account, removing all interest, fees and charges (not already refunded) that have been applied.
- If the rework results in a credit balance, this should be refunded to Miss T 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 regarding this account from Miss T's credit file.
- Or, if after the rework there is still an outstanding balance, Virgin Money should arrange an affordable repayment plan with Miss T for the remaining amount. Once Miss T has cleared the outstanding balance, any adverse information in relation to the account should be removed from Miss T's credit file.

\*HM Revenue & Customs requires Virgin Money to deduct tax from any award of interest. It must give Miss T a certificate showing how much tax has been taken off if she asks for one.

Finally, I've also considered 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 above results in fair compensation for Miss T in the circumstances of this complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

### **My final decision**

For the reasons I've explained, my final decision is that I uphold Miss T's complaint, and I direct Clydesdale Bank Plc trading as Virgin Money to settle things in the way I've outlined in the 'Putting things right' section above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss T to accept or reject my decision before 20 October 2025.

Sophie Kyprianou  
**Ombudsman**