

The complaint

Mr B complains that Clydesdale Bank Plc trading as Virgin Money lent irresponsibly when it approved his credit card application. Mr B also complains that Virgin Money unfairly allowed him to use his credit card for gambling purposes and failed to provide a reasonable level of support.

What happened

Mr B applied for a Virgin Money credit card in February 2019. In his application, Mr B said he was employed with an annual income of £40,090. Virgin Money says it verified Mr B's income level using a service provided by the credit reference agencies known as CATO. Mr B advised he was a homeowner and was making monthly repayments of £290 towards his mortgage. A credit search was completed that found no evidence of County Court Judgements or defaults. The credit file showed Mr B had £4,666 outstanding in other unsecured debts at the point of application. Virgin Money applied its lending criteria, using an estimate for Mr B's regular living expenses and the cost of his mortgage payment. Virgin Money calculated that Mr B had an estimated disposable income of £1,261 a month after covering his existing outgoings. Virgin Money approved Mr B's application and issued a credit card with a £4,100 limit.

Mr B used his credit card in the months that followed, including gambling via various bookmakers and websites. In March 2020 Virgin Money spoke with Mr B and asked him about the way he was using his credit card and the gambling payments he'd made. Mr B advised he didn't have a gambling problem and didn't require support from Virgin Money. No restrictions were applied to Mr B's account by Virgin Money.

In April 2020 the Gambling Commission banned the use of credit cards for gambling. From that point, no further direct payments were made to bookmakers from Mr B's Virgin Money credit card but he used it to transfer funds to an online payment provider I'll refer to as P. Mr B's explained he then used his account with P to gamble. Mr B continued to use the account until May 2023 when the outstanding balance was repaid and it was closed.

Last year Mr B complained to Virgin Money and it issued a final response. Virgin Money said it had carried out the relevant lending checks before approving Mr B's application and didn't agree it lent irresponsibly. In addition, Virgin Money didn't agree it had treated Mr B unfairly in terms of gambling payments and the way he used the credit card.

An investigator at this service looked at Mr B's complaint. They thought Virgin Money had completed reasonable and proportionate lending checks before approving Mr B's application and didn't agree it lent irresponsibly. In addition, the investigator noted Virgin Money had contacted Mr B in March 2020 about gambling from his credit card and offered support that was declined. The investigator wasn't persuaded Virgin Money treated Mr B unfairly and didn't uphold his complaint.

Mr B asked to appeal and explained that when he spoke with Virgin Money in March 2020 its intervention didn't go far enough. Mr B pointed out his credit card use showed a significant level of gambling and said he thinks that should've been sufficient for Virgin Money to realise

he wasn't using his card in a reasonable way. As Mr B asked to appeal, his complaint has been passed to me to make a decision.

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 this complaint falls broadly into two parts I'll deal with each in turn. I'm going to start by looking at the application Mr B made and whether I think Virgin Money lent irresponsibly.

Before agreeing to lend, the rules say Virgin Money had to complete reasonable and proportionate checks to ensure Mr B 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've set out the information that Virgin Money used when considering Mr B's application above. I can see Mr B provided details about his circumstances and income, including the fact he was a homeowner at the time. In addition, Virgin Money carried out a credit search. I note no adverse credit or recent arrears were noted on Mr B's credit file and he owed £4,666 to other lenders at the time. Mr B's told us he had only recently come out of a debt management plan, but I found no evidence of that on the credit file results Virgin Money obtained.

I've looked at the lending checks Virgin Money completed and can see it took Mr B's monthly repayments, mortgage payments and general living expenses into account. Ultimately, Virgin Money reached the view that Mr B had around £1,261 a month available after covering his existing outgoings and I think that was a reasonable conclusion based on the information available. In addition, I'm satisfied that a disposable income of £1,261 a month would've been sufficient to sustainably cover repayments to a new credit card with a limit of £4,100.

I'm satisfied the level and nature of Virgin Money's lending checks were reasonable and proportionate to the amount and type of credit it went on to approve. And I'm satisfied the decision to approve Mr B's application and issued a credit card with a £4,100 limit was reasonable based on the information Virgin Money obtained. I'm sorry to disappoint Mr B but I haven't been persuaded that Virgin Money lent irresponsibly when it approved his application in February 2019.

Mr B's also raised concerns about the way Virgin Money administered his account and that it ignored signs he was gambling at an unsustainable level. I've reviewed Mr B's credit card statements from the date his application was approved. I can see Mr B initially used the

credit card for a balance transfer. But from March 2019 I can see months where there was a significant amount of gambling.

Mr B's gambling level varied each month. For instance, in March 2019 he gambled over £2,000 but in April 2019 he gambled £300 and in July 2019 there was no new spending on the credit card. I can see that in September 2019 Mr B was gambling at a higher level with payments to gambling website of over £9,000 being made.

I can see from Virgin Money's systems notes it identified that Mr B was gambling at a high level in December 2019. Virgin Money identified Mr B was making substantial payments for gambling each month. As a result, a task to contact Mr B to discuss his account was noted. But the call to Mr B wasn't made until March 2020. During that time, Mr B continued to use his account for gambling purposes.

I've listened to the call with Mr B in March 2020. In my view, the agent Mr B spoke with wasn't prepared for the call and only asked very basic questions. But I think it's fair to note Mr B's confirmed he had a gambling addiction at the time which meant simply asking him if he had a problem led to a denial.

Whilst I can see there was a delay in contacting Mr B after Virgin Money noted concerns about gambling and the call that occurred in March 2020 wasn't well handled, I need to consider what a better and more timely intervention from Virgin Money would've achieved.

In his complaint form, Mr B made the point that asking whether he had a problem with gambling was unlikely to result in a genuine response. When Virgin Money called Mr B they asked about the use of his credit card for gambling and whether he had any problems. Mr B confirmed he didn't and was happy to continue using the card as he'd previously done. I think it's more likely than not that even if Virgin Money had called Mr B at an earlier point and given greater detail when it spoke with him, he would've still confirmed there was no problem at the time.

I understand Mr B feels there was enough information available to Virgin Money at that point to have taken action in some way to restrict his gambling. But I think it's reasonable to note that shortly after Mr B spoke with Virgin Money, gambling was banned on credit cards. So from April 2020 Mr B wasn't able to use his credit card for that. After the ban came into effect, Mr B started to use his credit card differently. Mr B started to make payments to an online payment provider I'll refer to as P instead and then used those funds to gamble with instead.

In my opinion, the way Mr B used his account indicates that an earlier and better intervention by Virgin Money would've been unlikely to have caused him to change the way he was using his credit card.

I've also considered the way Mr B was using his account and whether there were grounds for Virgin Money to have restricted spending for gambling earlier. But, as I've noted above, when gambling from credit cards was banned, Mr B used a different method of making payments for that purpose via P. Again, I think it's more likely than not that even if Virgin Money had blocked gambling payments Mr B would've used an alternative method of making payments from his credit card.

Mr B's also raised concerns about the use of P for gambling after April 2020. When payments are authorised from a credit card a Merchant Category Code (MCC) is used to help identify the type of merchant or business being paid. Before April 2020, the MCC codes identified the payments as gambling and a cash transaction fee was applied. But from April 2020, Mr B paid P – an online payments service. There are many reasons someone would

pay money to P and its MCC code doesn't identify payments as being for gambling purposes. In addition, no cash handling fees were applied. So whilst I can see Mr B made significant payments to P after April 2020, I haven't seen anything that would've identified to Virgin Money they were being used for gambling.

I'm very sorry to disappoint Mr B but for the reasons I've noted above I haven't been persuaded that Virgin Money treated him unfairly. As a result, I'm unable to uphold Mr B's complaint.

My final decision

My decision is that I don't uphold Mr B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 14 October 2025.

Marco Manente
Ombudsman