

## **The complaint**

Miss W complains that Clydesdale Bank Plc trading as Virgin Money irresponsibly lent to her.

## **What happened**

Miss W was approved for a Virgin Money credit card in April 2022, with a £6,800 credit limit. Miss W says that Virgin Money irresponsibly lent to her, and she made a complaint to them. Virgin Money did not uphold Miss W's complaint. They said based on their assessment, an appropriate and affordable credit limit was assigned. Miss W brought her complaint to our service.

Our investigator upheld Miss W's complaint. She said that she didn't think it was fair for Virgin Money to use household income as only Miss W was responsible for repaying the Virgin Money credit card, and based on the affordability assessment Virgin Money completed for Miss W, as an individual, the repayments for the £6,800 credit limit would be unaffordable for Miss W.

Virgin Money asked for an ombudsman to review the complaint. They said that as Miss W had a financial associate, then it was reasonable to expect the household finances to be managed together. They said that Miss W's financial difficulty was a result of a change of circumstances, which she informed them of in January 2024, which resulted in her having to manage her finances on her own.

## **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.

Before agreeing to approve the credit available to Miss W, 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 Miss W 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 they were aware of her financial history.

Miss W declared a gross annual income of £17,000, which Virgin Money calculated to be around £1,268 a month. The CRA informed Virgin Money that Miss W had unsecured debt of £9,932 which £7,964 was for revolving debt (such as any credit cards/store cards/overdrafts she had). The remaining £1,968 was for non-revolving debt (such as personal loans/hire purchase agreements etc).

Virgin Money completed an affordability assessment for Miss W as an individual, which showed the £6,800 credit limit wouldn't be affordable for Miss W. But Miss W was showing as having a financial associate, so Virgin Money completed a household affordability assessment to see if Miss W would be able to afford repayments for the £6,800 credit limit.

I'm persuaded that it was fair for Virgin Money to expect Miss W wouldn't pay all of the outgoings, and this is why it would be fair to consider what her financial associate would be paying also towards the outgoings. While her financial associate wouldn't be responsible for paying any of the repayments on the Virgin Money credit card, it wouldn't be fair to include outgoings that Miss W wouldn't be paying towards her expenditure.

But I do think it would have been proportionate for Virgin Money to have completed further checks here. I say this because Miss W had a debt to gross annual income ratio of 58.4%. While I note that Miss W intended to complete balance transfers to the Virgin Money credit card, her revolving balances were higher than the credit limit, so her debt to income would increase further. There were no figures recorded on the affordability assessment for Miss W for non-revolving debt, but as she was showing as having £1,968 of non-revolving debt, I would be expecting her to pay towards this figure on a monthly basis.

The £6,800 credit limit would be 40% of her gross annual income. So unless Miss W actually reduced her credit limits on her other credit cards or paid these balances off and closed those accounts, she would still have access to that credit elsewhere. Miss W's income was a lot different to her financial associate's income. As she earned less than a third of the household income, if she paid half of the outgoings, then she may not have the affordability to make sustainable repayments for a £6,800 credit limit. I also note that there was no council tax payment recorded on the affordability assessment, but it's unlikely that Miss W's household wouldn't have this as an expenditure.

There's no set way of how Virgin Money should have made further proportionate checks. One of the things they could have done was to contact Miss W to ask her how the bills are split, and to ensure she could make sustainable and affordable repayments for the credit limit provided. Or they could have asked for her bank statements as part of a proportionate check to ensure the lending was sustainable and affordable for her.

Miss W has provided her bank statements leading up to this lending decision. I've viewed these for two different accounts that Miss W had at the time to get a fuller picture of her financial circumstances prior to the Virgin Money credit card being approved.

Miss W's income is sporadic and not regular. I can see that she received what appears to be a student loan/payment(s) from a university, but this is not paid monthly. Her other bank statement shows a weekly income, but this is low and ranges between £21.70 and £134.53 a week. But it is mostly only two figures she receives and it was rarely over £100 a week.

Miss W's bank accounts are in her sole name. I can see that the £850 a month rent payment leaves Miss W's account. £140 a month parking payment also leaves Miss W's account. There are several transactions for food retailers. It appears that the majority of the bills (including phone bills, utility bills, insurance etc) debit from Miss W's account.

I asked Miss W how she and her financial associate split the bills. Miss W told me that she paid all of the bills, and the majority of their outgoings. She said her ex-partner did transfer her £1,300 in total over the three months prior to the Virgin Money credit card being opened, despite him getting a much higher wage, but she said he lived with her a long time without contributing anything.

Miss W's bank statements do show the £1,300 she refers to over the three month period,

albeit this is not a regular payment and has the reference “*help*” on the transfers in. So I have no reason to doubt what Miss W has told me here. While her income over the three month period would appear to be higher than what she declared to Virgin Money, this is mainly a result of student/university credits, which weren’t paid monthly.

Miss W’s bank accounts are often overdrawn – one of them mostly close to her £1,000 overdraft limit, and she has a returned direct debit for a £46.28 phone bill. The other account was occasionally in credit when she received her student/university credits, but were often overdrawn and sometimes four figures overdrawn.

So despite the balance transfers would save Miss W interest, and in theory lower her outgoings, the evidence shows she was already having financial difficulty at this point, and she was struggling to meet her outgoings. So I’m not persuaded that Virgin Money 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, I’m satisfied the redress I have directed at the end of this decision results in fair compensation for Miss W in the circumstances of her complaint. I’m satisfied, based on what I’ve seen, that no additional award would be appropriate in this case.

### **Putting things right**

Our investigator has suggested that Virgin Money takes the actions detailed below, which I think is reasonable in the circumstances. In addition to this, if Virgin Money do not own the debt anymore for the account, then they should also transfer any debt back to themselves if it has been passed to a debt recovery agent or liaise with them to ensure the redress set out below is carried out promptly.

### **My final decision**

I uphold this complaint. Clydesdale Bank Plc trading as Virgin Money should take the following actions:

Virgin Money should arrange to transfer any debt back to themselves if it has been passed to a debt recovery agent or liaise with them to ensure the redress set out below is carried out promptly;

Rework the account removing all interest, fees, charges, and insurances (not already refunded) that have been applied;

If the rework results in a credit balance, this should be refunded to Miss W 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 W’s credit file;

Or, if after the rework there is still an outstanding balance, Virgin Money should arrange an affordable repayment plan with Miss W for the remaining amount. Once Miss W has cleared the balance, any adverse information in relation to the account should be removed from Miss W’s credit file.

*\*If Virgin Money considers that they are required by HM Revenue & Customs to deduct income tax from that interest, they should tell Miss W how much they’ve taken off. They should also give Miss W a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.*

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 18 September 2025.

Gregory Sloanes  
**Ombudsman**