

## **The complaint**

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

## **What happened**

Mr S was approved for a Virgin Money credit card in December 2021 with a £3,800 credit limit. Mr S says that this was lent irresponsibly to him. Mr S made a complaint to Virgin Money who did not uphold his complaint. They said an appropriate and affordable credit limit was assigned to him. Mr S brought his complaint to our service.

Our investigator upheld Mr S' complaint. He said Mr S was overindebted and Virgin Money should have declined his application for the credit card. Virgin Money asked for an ombudsman to review the complaint. They said they used a household affordability assessment in this case, as it was reasonable to expect household finances were managed together.

## **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 Mr S, Virgin Money needed to make proportionate checks to determine whether the credit was affordable and sustainable for him. 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 Mr S 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. Mr S declared a gross annual income of £38,500, which Virgin Money calculated to be around £2,486.85 net a month.

The CRA informed Virgin Money that Mr S had unsecured debt of £20,863, so he would have had a debt to gross annual income ratio of around 54.2%. The credit limit of £3,800 would have been around 9.9% of his declared gross annual income. So Mr S would have a relatively high debt to income ratio.

Virgin Money completed an affordability assessment for Mr S, both individually and as a household. But while I understand the point Virgin Money have made about how some outgoings could be shared, such as the mortgage, I'm not persuaded that it's reasonable for Virgin Money to assume Mr S' partner paid the same or similar outgoings as he did.

I say this because the household income was declared to be £52,450. So Mr S was earning just under three times the amount his partner was earning, so I find it to be unlikely they would be paying a 50/50 (or similar) split for bills. In addition to this, there is no information

about any debt outgoings his partner was paying. Mr S alone would be responsible for repayments to the Virgin Money credit card, and not anybody in his household.

So I've viewed the affordability assessment Virgin Money completed for Mr S as an individual, as I'm persuaded that it is fairer for me to do so here based on the reasons I've given above. While the affordability assessment for Mr S as an individual suggests he would have a net disposable income of £452.09 a month, I note there are no essential expenditure figures given in this affordability assessment (there was in the joint assessment of £1,228.59 a month).

So based on the debt to income ratio and the affordability assessment, I'm persuaded that Virgin Money should have completed further checks to ensure the repayments for a £3,800 credit limit would be affordable and sustainable for Mr S.

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 Mr S to ask him how his expenditure was split between himself and his partner, and to ensure he could make sustainable and affordable repayments for the credit limit. Or they could have asked for his bank statements as part of a proportionate check to ensure the lending was sustainable and affordable for him.

Mr S has provided his bank statements leading up to this lending decision. I've viewed these for a number of accounts Mr S had at the time to get a fuller picture of his financial circumstances prior to the Virgin Money credit card being approved.

The statements show that Mr S did try and save on a monthly basis, so I requested Mr S' savings statements as he may have had savings which could be used to repay the credit he would use on his Virgin Money credit card. But his savings statements show that on 12 November 2021 (the date the statement finishes), he had a £0 balance in this account. So while Mr S may have had the intention of trying to save, ultimately he used the money shortly after he deposited the money into this account.

Two of the different accounts Mr S is a party on have four figure overdraft usage. While Mr S' salary brings one of these accounts into credit, on the same day he goes back overdrawn (albeit this is because Mr S transfers money into a different account). This account shows there is no credits to the account from anyone other than Mr S (apart from a one off £90 in September 2021).

The mortgage payment and a number of priority bills debit this account, so looking at the statements I can't conclude Mr S' partner paid anything towards the mortgage (albeit this does not mean they didn't pay for other outgoings on a sole account).

Mr S had a returned direct debit as recent as 15 November 2021 – the month prior to the Virgin Money credit card being approved. So if Virgin Money would have requested Mr S' statements as part of a proportionate check for the reasons set out above, I'm not persuaded that they would have approved his application and provided him with a £3,800 credit limit as there were already signs of financial difficulty as shown on the statements. So I can't conclude 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 Mr S in the circumstances of his 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 Mr S 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 his credit file;

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

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 13 August 2025.

Gregory Sloanes  
**Ombudsman**