

The complaint

Mr R complains that Clydesdale Bank Plc trading as Virgin Money lent irresponsibly when it increased the limit on his credit card.

What happened

Mr R applied for a Virgin Money credit card in January 2020. In his application, Mr R confirmed he was earning £42,000 a year. A credit search found Mr R had unsecured debts totalling £17,504 with monthly repayments of £674. No adverse credit or recent missed payments were found on Mr R's credit file. Virgin Money applied its lending criteria and approved Mr R's application, issuing a credit card with a limit of £5,200.

Mr R's explained that by August 2020 his income had reduced to around £31,000 plus overtime. In addition, Mr R has told us that from around November 2021 he was suffering with a serious gambling addiction and was betting substantial sums each month. Mr R explains he was borrowing money from various sources to cover his gambling habit.

In August 2022 Mr R accepted a credit limit increase from £5,200 to £10,200. Virgin Money says it carried out the relevant lending checks before increasing Mr R's credit limit which showed it was affordable.

Last year, Mr R complained that Virgin Money lent irresponsibly when it increased his credit limit in August 2022. Virgin Money issued a final response that mainly focused on its original decision to approve his application in January 2020 but added that the credit limit increase was affordable for Mr R.

An investigator at this service looked at Mr R's complaint. They asked Virgin Money to provide the lending data it used when deciding to increase the credit limit. The response advised Virgin Money had looked at Mr R's circumstances in June 2022 and its checks confirmed the credit limit increase was affordable.

Our investigator thought the information Virgin Money used when deciding to increase the credit limit showed Mr R's had become over committed which should've led to a more comprehensive set of lending checks, like reviewing his bank statements. When the investigator reviewed Mr R's bank statements for the months before the credit limit increase they found his outgoings exceeded his income by around £300 a month. The investigator also noted that Mr R's bank statements showed he was gambling at a very high level and obtaining new credit, including new loans, to support his habit. The investigator thought that if Virgin Money had carried out more detailed lending checks like reviewing Mr R's bank statements it would've declined to increase the credit limit to £10,200 in August 2022. As a result, the investigator upheld Mr R's complaint and asked Virgin Money to refund all interest, fees and charges applied to balances over £5,200 from the date of the credit limit approval.

Virgin Money didn't agree and in response said that it had actually based its lending assessment on Mr R's May 2022 data which showed a lower level of debt than the following

months. Ultimately, Virgin Money asked to appeal, so Mr R's 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.

Before agreeing to lend or increasing the credit limit, the rules say Virgin Money had to complete reasonable and proportionate checks to ensure Mr R 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.

Mr R's confirmed he's complaining about the credit limit increase so I'm going to focus on that in this decision. But I've taken the information Virgin Money obtained when it considered Mr R's original application into account when reaching my decision. The lending data provided shows that when Mr R applied in January 2020 he had outstanding debts totalling £17,504, or 42% of his income. But before the credit limit increase, Mr R's debts had clearly increased. By May 2022 Mr R's unsecured debts totalled £24,556 and in June 2022 they totalled £33,196. That's a reasonably large increase in Mr R's unsecured debt between application and the credit limit increase.

I note Virgin Money initially said it completed its lending checks in June 2022 but later revised that to May 2022 which showed Mr R in a more positive light. But I think it's fair to note no direct evidence of when the lending checks were completed have been provided. And, even if I accept the credit limit increase assessment was completed in May 2022, I'm still not persuaded the lending checks went far enough.

I can see Mr R's account was well handled and that before the credit limit increase he'd repaid the outstanding balance. But, as noted above, Mr R's other debts had increased by over £7,000. And I note that the credit bureau data provided shows Mr R had recently taken cash advances from credit cards. Using credit cards for cash advances is an expensive and generally unsustainable way of borrowing money and, in my view, is at odds with the view Mr R was in a stable financial position. In addition, whilst I can see Virgin Money took Mr R's indebtedness into account and applied a bureau credit score, I haven't seen any evidence it sought to verify his income when increasing the credit limit. Further, Virgin Money was nearly doubling the existing credit limit which increased the risk of financial harm to Mr R.

Taking the increase in Mr R's unsecured debt, size of credit limit increase, cash advances and lack of evidence his income was verified into account, my view is that Virgin Money should've taken a more comprehensive approach before increasing the credit limit in August 2022. I haven't been persuaded Virgin Money carried out reasonable and proportionate

lending checks before increasing Mr R's credit limit. One option available would've been to review Mr R's bank statements for the preceding months to get a clearer picture of his circumstances which is what I've done.

Like the investigator, I found Mr R's bank statements showed his outgoings exceeded his income by around £300 a month. Mr R's bank statements show he took a £3,500 loan with another lender in May 2022 and a further loan for £4,000 in July 2022. I note a new loan for £1,000 was also received by Mr R at the end of March 2022.

Significantly, the bank statement show Mr R was gambling at a very high level indeed during this time. As our investigator noted, Mr R gambled around £34,400 in a three month period and his losses were around £2,500 during that time. The bank statements show Mr R often used his overdraft or money he'd borrowed to gamble with. In my view, Mr R's bank statements show he was borrowing and gambling at an unsustainable rate in the period before the credit limit was increased.

I think it's more likely than not that if Virgin Money had carried out more detailed lending checks, like reviewing Mr R's bank statements, before increasing the credit limit it would most likely have declined to proceed. Taking the available information into account, I haven't been persuaded Virgin Money lent responsibly when it increased Mr R's credit limit to £10,200 in August 2022. As a result, I'm telling Virgin Money to refund all interest, fees and charges applied to balances over £5,200 from August 2022 onwards.

I've considered whether the business acted unfairly or unreasonably in any other way including 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 below results in fair compensation for Mr R 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.

My final decision

My decision is that I uphold Mr R's complaint and direct Clydesdale Bank Plc trading as Virgin Money to settle as follows:

- Rework the account removing all interest, fees, charges and insurances (not already refunded) that have been applied to balances above £5,200 after 2 August 2022.
- If the rework results in a credit balance, this should be refunded to Mr R 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 recorded after 2 August 2022 regarding this account from Mr R's credit file.
- Or, if after the rework the outstanding balance still exceeds £5,200, Virgin should arrange an affordable repayment plan with Mr R for the remaining amount. Once Mr R has cleared the outstanding balance, any adverse information recorded after 2 August 2022 in relation to the account should be removed from their credit file.

If Virgin Money has sold the debt to a third party, it should arrange to either buy back the debt from the third party or liaise with them to ensure the redress set out above is carried out promptly

*HM Revenue & Customs requires Virgin Money to deduct tax from any award of interest. It must give Mr R a certificate showing how much tax has been taken off if he asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or

reject my decision before 25 September 2025.

Marco Manente
Ombudsman