DRN-5614482

The complaint

Miss S complains that Clydesdale Bank Plc trading as Virgin Money irresponsibly increased her credit limit when she was struggling financially.

What happened

Virgin Money provided Miss S with a credit card in April 2017 with a limit of £5,800. The limit was increased to £9,600 in October 2022.

In summary, Miss S says the credit limit increase was applied at a time when she was struggling financially. Miss S said she was making substantial cash advances on the card which resulted in large fees. She says this should have been taken into consideration, alongside what she says was irrational spending on the card. Miss S says her mental health has deteriorated significantly, and Virgin Money was a large contributor to this.

Virgin Money reviewed matters. In summary, it didn't think it had lent irresponsibly based on the checks it carried out and the information it gathered about Miss S. It also said it wasn't liable for how Miss S chose to spend on the account, and it was up to its customers to manage their accounts responsibly. Virgin Money also said it hadn't received any contact from Miss S to make it aware of her circumstances before a call on 31 August 2023. Following this, whilst it discussed Miss S's circumstances, it wasn't aware that she was using the account to gamble.

Miss S remained unhappy and brought her complaint to this service. An Investigator here reviewed matters and, in summary, thought that the information Virgin Money had access to showed that the lending was likely to be unsustainable for Miss S. She thought it would have seen multiple cash advances and gambling transactions.

Miss S didn't dispute this opinion, but Virgin Money did. In summary, it said it used a conservative figure for Miss S's income and the figure shown on external checks would have meant her disposable income was even higher. It acknowledged the cash withdrawals on the card, but said it had no visibility over what Miss S did with them or indeed over the gambling transactions. It also pointed out that the card had been dormant from July 2019 to July 2022 and then the balance increased steadily in the three months leading up to the increase. And, it said there were no adverse signs on Miss S's credit profile.

Ultimately, an agreement wasn't reached. So, the case was passed to me to decide. I contacted Virgin Money informally to see whether it would be willing to resolve the complaint without the need for a formal decision. However, an agreement wasn't reached. So, the next step is for me to issue a formal 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.

Miss S is clear that she is only complaining about the credit limit increase on the account. Therefore, my decision will focus only on this complaint point and not whether the account was provided appropriately at the outset.

The rules and regulations in place at the time Virgin Money provided Miss S with credit required it to carry out a reasonable and proportionate assessment of whether she could afford to repay what she owed in a sustainable manner. This is sometimes referred to as an 'affordability assessment' or 'affordability check'.

The checks had to be 'borrower' focused. This means Virgin Money had to think about whether repaying the credit sustainably would cause difficulties or adverse consequences for Miss S. In other words, it wasn't enough for Virgin Money to consider the likelihood of it getting the funds back – it had to consider the impact of any repayments on Miss S.

Checks also had to be 'proportionate' to the specific circumstances of the lending. In general, what constitutes a proportionate affordability check will be dependent on a number of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, any indications of vulnerability or financial difficulty) and the amount/type/cost of credit they were seeking. I've kept all of this in mind when thinking about whether Virgin Money did what it needed to before lending to Miss S.

Before increasing the credit limit on the card, Virgin Money carried out a credit check and, as I understand it, took some steps to understand more about Miss S's circumstances including her income. It recorded that she would have sufficient disposable income to afford the increase and had no concerns about the information it gathered. Though it's worth saying that, in my opinion, Virgin Money hasn't been clear about exactly how it reached its figures.

Having reviewed Miss S's credit card statements, there were several cash withdrawals in the months leading up to the increase. Indeed, Virgin Money itself says Miss S incurred cash advance fees regularly when she held the card.

Whilst cash advance fees aren't, in isolation, always a sign of financial difficulties, I'm conscious that this was a regular occurrence on the account with several each month. I've considered that the increase wasn't a modest one. So, in the circumstances of this particular case, given that Virgin Money had access to Miss S's current account statements, I think it ought to have thought more about her circumstances and reviewed the statements it had access to before deciding whether to increase the credit limit.

Having reviewed these current account statements myself, it's clear that Miss S is making regular gambling transactions. In the month before the increase, for example, Miss S spends a large proportion of her income on gambling transactions. She also makes transfers to another account held, where she also completes more gambling transactions. Though, I think the nature of the spending would have been visible on the statements Virgin Money had access to. Therefore, based on this information, I don't think Virgin Money should have increased Miss S's credit limit. I'll explain how Virgin Money should put things right later in this decision.

Miss S has also made reference to contacting Virgin Money to let it know that the payments were becoming unmanageable, and she had to borrow a loan from a family member. She then went on to explain why she doesn't think the credit limit increase was responsibly lent. Therefore, I've understood her comments as being in the context of the credit limit being unaffordable. With that in mind, I'm satisfied that the redress I'll go on to describe goes far enough to put things right for Miss S. And, I'm conscious Miss S didn't dispute our Investigator's opinion which sets out the same direction.

In most cases where credit has been provided where it shouldn't have been, it would be fair and reasonable for the lender to refund any interest and charges paid by the borrower. And the borrower would usually be expected to repay any remaining amount of the money they had been lent. So, I'd expect Miss S to pay back the money she was lent, but not the interest.

With this in mind, I think Virgin Money should:

- Rework the account removing all interest, fees, charges and insurances (not already refunded) that have been applied to balances above £5,800 after October 2022.

- If the rework (which should include any payments which have already been made to the third-party debt purchaser) results in a credit balance on the account, this should be refunded to Miss S along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement. And Virgin Money should remove any adverse information reported to Miss S's credit file about this account after October 2022.

- Or, if after the rework an outstanding balance remains, Virgin Money should arrange an affordable repayment plan with Miss S for the remaining amount. Once Miss S has cleared the outstanding balance, any adverse information recorded after October 2022 in relation to the account should be removed from her credit file.

*HM Revenue & Customs requires Virgin Money to take off tax from this interest. Virgin Money must give Miss S a certificate showing how much tax it has taken off if she asks for one.

As I understand it, the debt has been sold to a third party. If Virgin Money decides to buy the debt back, then it needs to ensure it carries out the above direction. If it doesn't, then it either needs to pay an amount to the third-party (equivalent to what needs to be paid on Miss S's account so that it is reduced by any interest, fees and charges applied to balances above £5,800 after October 2022) in order for it to make the necessary adjustments, or pay Miss S an amount (equivalent to the interest, fees and charges which need to be refunded) to ensure that it fully complies with this direction.

I can see that Miss S is in a Debt Arrangement Scheme (DAS), and her administrator has asked that it's made aware of any new balance on the account. So, I suggest Miss S gets in contact with them to let them know if there is a new balance on the account after the above direction is carried out.

I've 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 S 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.

My final decision

My final decision is that I uphold this complaint and direct Clydesdale Bank Plc trading as Virgin Money to settle this complaint in the way I've outlined above.

Under the rules of the Financial Ombudsman Service, I’m required to ask Miss S to accept or reject my decision before 20 October 2025.

Hana Yousef
Ombudsman