

Complaint

Miss F has complained about a credit card and limit increase that Clydesdale Bank Plc (trading as “Virgin Money”) provided to her. She says that sufficient check would have shown that she shouldn’t have been lent to.

Background

Virgin Money initially provided Miss F with a credit card which had a credit limit of £2,800.00 in December 2020. The credit limit was increased to £5,600.00 in February 2022.

One of our investigators reviewed what Miss F and Virgin Money had told us. And she eventually reached the conclusion that Virgin Money hadn’t done anything wrong or treated Miss F unfairly in relation to providing the credit card or increasing the credit limit. So she didn’t recommend that Miss F’s complaint be upheld.

Miss F disagreed and asked for an ombudsman to look at her complaint.

My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Miss F’s complaint.

Virgin Money needed to make sure it didn’t lend irresponsibly. In practice, what this means is Virgin Money needed to carry out proportionate checks to be able to understand whether Miss F could afford to repay any credit it provided.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to lend to a customer irresponsibly.

Virgin Money says it initially agreed to Miss F’s initial application for a credit card after it obtained information on her income and carried out a credit search. And the information obtained indicated that Miss F would be able to make the monthly repayments due on a credit limit of £2,800.00. Virgin Money says that Miss F was then offered a credit limit increase to £5,600.00 in May 2016 as the information it had suggested that Miss F could afford the increased payments that would be required.

On the other hand, Miss F says that she shouldn't have been lent to or had her credit limit increased.

I've considered what the parties have said.

What's important to note is that Miss F was provided with a revolving credit facility rather than a loan. And this means that to start with Virgin Money was required to understand whether a credit limit of £2,800.00 could be repaid within a reasonable period of time, rather than all in one go. A credit limit of £2,800.00 required reasonable monthly payments, rather than the whole amount to be paid in one go, in order to clear the full amount owed within a reasonable period of time.

From the information provided, it looks like Miss F declared that she was employed and earning £28,000.00 a year (there was also a suggestion that her household received £36,000.00 a year). Virgin Money's credit check did not indicate that Miss F had had significant difficulties repaying credit such as defaulted accounts or county court judgments ("CCJ") recorded against her.

Furthermore, Miss F was going to take advantage of a balance transfer offer and pay no interest on the credit card debt being transferred for a period of 12 months. So there wasn't anything obvious in the information gathered which suggests that Miss F couldn't have made the required payments to the credit card.

If anything, she would have lower outgoings as she wouldn't have to pay interest on the debt that she was transferring in the way that she was prior to this application. As this is the case, I'm satisfied that the checks carried out before Miss F was initially provided with her credit card were reasonable and proportionate.

For the credit limit increase, it appears as though Virgin Money relied on Miss F's account having been managed well in the fourteen months or so since her account had been opened. I do accept that on some occasions Miss F appears to have made minimum payments in the period since the account was opened. And, in some circumstances, this could be a cause for concern.

However, I'm mindful here that it isn't unusual for a customer to make payments in this way while they are not paying interest on an outstanding balance. More importantly in the fourteen months that in the period between the card being provided and the limit increase being offered, Miss F also made a number of payments that were much larger than the minimum payment.

These payments not only resulted in Miss F having a nil balance in the period leading up to the increase, they were more than sufficient to clear the balance that could be owed after the limit increase, within a reasonable period of time. So I don't think that Miss F on occasion making minimum payments was something for Virgin Money to be concerned about, or in itself not a reason to lend to her.

Nonetheless, given the amount of the likely increased monthly payments as well as Virgin Money being aware that Miss F had other credit commitments, I do think that it would have been reasonable and proportionate for Virgin Money to find out a bit more about Miss F's regular living costs before offering the credit limit increase. As I can't see that Virgin Money did do this, I'm not persuaded that the checks that it carried out before it offered the limit increase to Miss F were proportionate.

As Virgin Money didn't carry out proportionate checks before the limit increase was offered, I've gone on to decide what I think it is more likely than not to have seen had it obtained

further information from Miss F. In order to do so, I've looked at the information Miss F has provided with a view to recreating what a proportionate check is likely to have shown.

To be clear, I've not carried out a forensic analysis of Miss F's bank statements in order to determine whether the credit card payments that could be due, if Miss F used all of the extra credit provided, were affordable for her. After all, Virgin Money wasn't required to obtain bank statements from Miss F. I've simply considered what Virgin Money is likely to have done if it had taken reasonable steps to obtain the information that I think was missing from its checks.

As I've explained, bearing in mind the circumstances here, I would have expected Virgin Money to have supplemented what it would have found out about Miss F's existing credit commitments, from the credit searches it carried out, with information about Miss F's actual income and her regular living expenses.

Having considered everything, I'm satisfied that the information provided does appear to show that Virgin Money finding out more about Miss F's actual income and regular living expenses is unlikely to have seen it reach a different lending decision.

I say this because it looks like when Miss F's regular and committed living expenses at the time are added to her credit commitments and then deducted from her income, she did have sufficient funds left over in order to make sustainable repayments to what she could owe as a result of the limit increase.

I fully accept it's possible that Miss F's position might have been worse than what it looks like from the information I've been provided with, or that it worsened after the increase has provided. But it wouldn't be fair and reasonable for me to use hindsight here, or say that Virgin Money should have known this was the case at the time it was making its lending decisions. This is especially as the available information provided does not show me that Miss F could not repay what she could owe at the time the lending decisions were made.

In reaching my conclusions, I've also considered whether the lending relationship between Virgin Money and Miss F might have been unfair to Miss F under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think Virgin Money irresponsibly lent to Miss F or otherwise treated her unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

So overall while I'm sorry to hear that Miss F found making her credit card payments a struggle and she ended up in difficulty, I don't think that Virgin Money treated Miss F unfairly or unreasonably when providing her with her credit card or subsequently increasing her credit limit. And I'm not upholding Miss F's complaint.

I appreciate this will be very disappointing for Miss F. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Miss F's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss F to accept or reject my decision before 22 August 2025.

Jeshen Narayanan
Ombudsman