The complaint

Mr S complains that Clydesdale Bank Plc trading as Virgin Money irresponsibly lent him money on a credit card.

What happened

In June 2021 Mr S took out a credit card with Virgin Money, with a credit limit of £4,000. The account fell into arrears and in 2022 Virgin Money issued a default. In the same year Mr S entered into an individual voluntary arrangement (IVA). In 2023 the outstanding debt was sold to a third-party debt collector.

In 2024 Mr S complained about Virgin Money's decision to offer him the card. He said that he was in financial difficulties at the time, in large part because of compulsive gambling. He said that Virgin Money ought to have known that he had frequent spending on gambling, as well as substantial cash withdrawals and a reliance on short term credit. He said that giving him additional credit was irresponsible. The card should never have been granted and contributed to him having to enter the IVA the following year. He said the decision to lend to him had caused substantial harm and upset.

Virgin Money said Mr S applied for the card online. He declared his own income as being £42,000, with total household income of £78,000. It decided to lend based on the information in his application and his credit history. It said there was nothing to suggest Mr S was in financial difficulties at the time and it hadn't lent irresponsibly.

Our investigator said that the complaint should be upheld. He didn't think that Virgin Money had carried out proportionate checks – if it had done so, it would have discovered Mr S's compulsive gambling and wouldn't then, acting fairly, have lent. Virgin Money didn't agree it had lent irresponsibly, so the complaint comes to me for a decision to be made.

Having reviewed all the evidence, I didn't think the complaint should be upheld. I issued a provisional decision explaining why; I said:

> "In deciding whether to lend, Virgin Money was required to consider whether doing so would be affordable for Mr S, and whether he would be able to repay the lending in a sustainable way. In making that decision it ought to have carried out checks of his application and circumstances. But it's important to note that there is no specific set list of checks that must always be carried out. Rather, what's required is that Virgin Money carries out proportionate checks – in other words, that the checks it carries out reflect the nature of the lending it's being asked to consider. It should consider Mr S's income, expenditure and existing credit commitments. The level of checks required to find out and verify those things should be proportionate to the amount and type of borrowing, as well as to other factors such as Mr S's income, the amount of any repayments due, what Virgin Money may already know about him, and so on. We've explained how we consider this on our website, and I've borne that in mind when thinking about this complaint.
>
> This was an online application, and it doesn't appear that Mr S had any pre-existing

relationship with Virgin Money – it wasn't his current account provider, for example. So it wouldn't already have known about the gambling transactions going through his bank account at the time. And it didn't discover them, because it didn't ask to see his bank statements.

On his application, Mr S said his personal income was £42,000 and his household income was £78,000. His application was considered automatically by Virgin Money's system. It verified the declared income by checking turnover on his current account. This doesn't mean that it had access to his bank statements or his account history – it means that it used a credit reference agency which had a report of total income received into his current account.

Virgin Money also checked Mr S's credit file and noted no missed payments or defaults. He had around £5,500 in other credit card debts, and around £19,500 in outstanding loans. After deducting the monthly payments on his outstanding debt, his declared monthly rent and a modelled amount for typical household expenditure, it concluded the lending was affordable.

I don't have a copy of the full credit file Virgin Money would have seen in 2021 – only the outcome of its checks is available. Mr S has, however, provided a copy of his full credit file from 2024. While this doesn't show everything Virgin Money would have seen, it does include information for the three years leading up to the application for a card.

The information on Mr S's credit file in respect of debts up to June 2021 matches what Virgin Money found. It also gives more information about his commitments as they were at the time. Besides this card, it shows that at the time of the application, Mr S had the following debts:

- A credit card taken out in October 2019, with no missed payments prior to June 2021.
- A credit card taken out in December 2018, with no missed payments prior to June 2021.
- A credit card taken out in March 2021, with no missed payments prior to June 2021.
- A personal loan taken out in September 2019, with monthly payments of £39, and with no missed payments prior to June 2021.
- A personal loan taken out in January 2021, with monthly payments of £525.

In addition, he had successfully paid off two short term personal loans and other credit cards in 2019 and 2020.

I've thought about whether Virgin Money obtained enough information to make a fair lending decision – whether its checks were proportionate. If they were, I then need to decide whether, based on that information, it made a fair lending decision. But if the checks were not proportionate, I need to decide what further checks it ought to have done, what it would have found had it done those checks, and whether if it had done so it would have been responsible to lend.

Having considered this carefully, I'm satisfied that Virgin Money did make proportionate checks.

It asked Mr S about his income and his housing costs. It verified his income using a credit reference agency account turnover check. It could have verified his income in another way, such as by asking for payslips or bank statements. But this lending was for a relatively small proportion of Mr S's income – and didn't take his overall indebtedness to a concerning level either. So there was no particular reason for carrying out more rigorous income checks than usual, and I'm satisfied this was proportionate.

On expenditure, Virgin Money took into account the amount Mr S declared in rent, his existing credit commitments (taken from his credit file), and modelled household expenditure. It's not unusual to use modelled expenditure, based on Office of National Statistics information for typical expenditure by households of the applicant's type, and it's expressly permitted by the regulator's rules. So I think it was fair and reasonable for Virgin Money to rely on modelled expenditure – unless there was reason to doubt it.

In fact, Mr S's expenditure was much higher than this – largely because of his gambling. But Virgin Money didn't know about that, and it had no way of knowing about that unless it asked to see his bank statements. I've not seen anything that ought to have led Virgin Money to believe that modelled expenditure wasn't appropriate for Mr S. There was no evidence of financial difficulty on his credit file – such as missed payments or defaults. He had taken out a personal loan and another credit card in the months before this application, but even taking these into account his overall indebtedness was less than half his annual income, and as such not overly concerning. I'm not persuaded that there was anything that ought to have led Virgin Money to suspect that Mr S was gambling compulsively, or anything else in what it knew of his circumstances or application that ought to have led it to doubt the appropriateness of relying on modelled expenditure or ought to have led it to ask for his bank statements.

I'm therefore satisfied that Virgin Money carried out proportionate checks. It checked Mr S's income, it checked his credit commitments, and it reasonably relied on modelled expenditure. I don't think that, acting fairly, it ought to have requested further information before assessing affordability. And, based on the information it did have, I'm satisfied that it reasonably concluded that the lending was affordable for Mr S.

Virgin Money was also required to think about whether the lending would be sustainable for Mr S. I'm satisfied it did so, and – based on what it knew – it reasonably concluded that it was. His existing credit commitments were not excessive or concerning and appeared to be well managed. There was nothing in what Virgin Money knew or could reasonably have known to suggest that Mr S was in fact living beyond his means or gambling compulsively.

I'm sorry to disappoint Mr S. I'm very sorry to hear about his situation and everything he's been through. But having considered everything carefully, I don't think I can fairly uphold his complaint. Virgin Money carried out proportionate checks of Mr S's application and circumstances, and based on those checks it reasonably concluded that the card was affordable and sustainable for him."

Virgin Money accepted my provisional decision. Mr S didn't reply.

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.

I've looked at things again. But I haven't seen any reason to change my mind about the fair outcome to this complaint. For all the reasons I gave in my provisional decision, reproduced above, I don't think Virgin Money lent irresponsibly.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 22 July 2025.

Simon Pugh
Ombudsman