

The complaint

Mr C complains that Clydesdale Bank Plc trading as Virgin Money lent irresponsibly when it approved his credit card application and later increased the credit limit.

What happened

The background to this complaint and my initial conclusions were set out in a provisional decision. I said:

Mr C applied for a Virgin Money credit card in December 2020. In his application, Mr C said he was employed with an annual income of £29,000 that Virgin Money says left him with £1,946 a month after deductions. Mr C also said there was additional household income of £30,000. Virgin Money carried out a credit search and found Mr C owed a total of £2,786 in other unsecured debts. No recent missed payments, defaults or other adverse credit was found on Mr C's credit file. In the application, Mr C said he was making mortgage payments of £323 a month. The credit file showed Mr C had a joint mortgage with monthly repayments of £644 so Virgin Money took the £323 figure (being half the full mortgage payment) into account when applying its affordability checks. Virgin Money calculated Mr C had an estimated disposable income of £411 a month after covering his existing outgoings and approved a credit card with a limit of £5,200.

Mr C used the credit card to complete a 0% balance transfer of £4,000 from another credit card. At the end of July 2021 Mr C used his mobile app to request a credit limit increase. Virgin Money says it reviewed Mr C's account history and credit file in addition to completing affordability checks before increasing the credit limit to £9,000.

Mr C's account fell into arrears in 2023 and was ultimately closed by Virgin Money with the outstanding debt being passed to a third party firm of debt collectors.

Last year, Mr C complained that Virgin Money lent irresponsibly and it issued a final response. Virgin Money said it had carried out the relevant lending checks before approving Mr C's application and increasing the credit limit and didn't agree it lent irresponsibly.

An investigator at this service looked at Mr C's complaint. They thought Virgin Money should've carried out better lending checks during the application process and before increasing the credit limit. The investigator looked at Mr C's bank statements for the three months before his application in December 2020 but felt they showed he had capacity to afford a new credit card with a £5,200 limit. The investigator also looked at Mr C's bank statements for the three months before the credit limit increase. They thought the fact Mr C was often overdrawn throughout the months showed he wasn't able to sustainably afford the credit limit increase to £9,000 in July 2021. The investigator asked Virgin Money to refund all interest, fees and charges applied to balances over £5,200 from July 2021.

Virgin Money didn't accept the investigator's view of Mr C's complaint and said in the months after the credit limit increase was approved he made overpayments to the outstanding balance. Virgin Money said it was a considerable amount of time later that Mr C's account

fell into arrears and was closed. As Virgin Money didn't accept the investigator's recommendations Mr C's complaint has been passed to me to make a decision.

What I've provisionally 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 C 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.

I can see the investigator felt the reliance on household income and Mr C's existing debts should've caused a more detailed review of his circumstances by Virgin Money. On balance, I think that's a reasonable point so I've also looked at Mr C's bank statements for the months preceding his application to Virgin Money. Having done so, I can see Mr C was earning around £1,800 a month which is broadly in line with the figure Virgin Money used in the application. Mr C's existing outgoings were around £600 a month. As a result, I'm satisfied Mr C had a reasonable amount left to cover his food, fuel and other living expenses. And I'm satisfied Mr C's bank statements show he had capacity to sustainably afford repayments to a new credit card with a limit of £5,200. As a result, I haven't been persuaded that Virgin Money lent irresponsibly when it approved Mr C's application.

Mr C's outstanding unsecured debts increased from £2,786 in December 2020 to £7,313 in July 2021. In addition, the increase from £5,200 to £9,000 was substantial. In the circumstances, my view is that Virgin Money should've considered carrying out more detailed checks to verify Mr C's circumstances before deciding to proceed. I've looked at Mr C's bank statements for the months before the credit limit increase was approved to get a clearer picture of his circumstances.

Mr C's income was around £1,900 a month and his regular outgoings for items like mortgage, utilities, insurances and existing debts came to around £1,150 a month. That means, Mr C had around £750 a month remaining to cover his other living expenses including food and fuel. On the face of it, I think £750 would've been sufficient for Mr C to be able to sustainably afford his general living expenses and repayments to an increased credit limit of £9,000.

I understand our investigator felt Mr C's use of his overdraft was concerning. And I accept that one of the accounts Mr C was using was overdrawn throughout the majority of this period. But I think it's reasonable to note that Mr C and the other joint account holder were saving to borrow for a car. I can see that on 24 June 2021 a payment of £3,241 was made

from the joint account to purchase a car following a transfer by Mr C of £2,000 on 20 June 2021. I can also see that whilst Mr C's sole named account was overdrawn, he was making regular payments into the joint account that held a generally held a balance of over £1,000 and was saving to purchase a car.

I'm very sorry to disappoint Mr C as I realise my decision differs from the conclusions reached by the investigator. But, on balance, I haven't been persuaded that Mr C's bank statements show the credit limit increase was irresponsibly approved. In my view, if Virgin Money had carried out better lending checks, like reviewing Mr C's bank statements, it's more likely than not it would've still approved his credit limit increase in July 2021 on the basis they show he had a reasonable disposable income. As I haven't been persuaded that Virgin Money lent irresponsibly I don't intend to uphold Mr C's complaint.

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, for the reasons I've already given, I don't think (business) lent irresponsibly to Mr C or otherwise treated him unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

I invited both parties to respond with any additional comments or information they wanted me to consider before I made my final decision.

Mr C responded and said he accepted what I said about the initial decision to approve his credit card application with a limit of £5,200. But Mr C explained he remained of the view the decision to increase the credit limit to £9,000 wasn't reasonable. Mr C highlighted comments I made in the provisional decision where I pointed out he'd purchased a new car and explained that the £2,000 he used and came from overdrafts he held in his sole name. Mr C also spoke with the investigator and said he felt the outcome I reached in the provisional decision rested on him saving for a car.

Virgin Money responded to say it accepted the conclusions I reached in my provisional 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.

I'd like to thank Mr C for his comments in response to my provisional decision. And I'd like to assure Mr C that my provisional decision didn't rest on the car purchase he made in June 2021. I made my decision based on the evidence available, including reviewing Mr C's bank statements for the full three months before the credit limit increase in July 2021.

Following Mr C's response to my provisional decision, I've reviewed all the information provided by both parties again. That includes the lending data Virgin Money has supplied showing the results of the various checks it completed both during the application process and when the credit limit was increased. I've also reviewed Mr C's bank statements in full again to look at his income and outgoings and taken his comments into account.

Our investigator noted that Mr C's current account was generally overdrawn. And that is the case for May and June 2021. But in April 2021, the first month I looked into, Mr C's current account was generally in credit and was only overdrawn for seven days in the month. I can see Mr C making credit card and mobile phone payments from this account along with some other regular outgoings. In April 2021, Mr C's account was well maintained with no obvious

signs he was overcommitted. I note that all the bank statements show Mr C was making weekly direct debit payments of £36 to a business I'll refer to as M that provides savings accounts throughout the three month period. So whilst Mr C was overdrawn for much of May and June 2021, he still appears to have been saving weekly.

Mr C's regular outgoings from his sole account were broadly the same in April, May and June 2021. But Mr C's discretionary spending appears to have increased in May 2021 which impacted the overdrawn balance of his account. And, whilst I accept what Mr C says about his overdraft use in June 2021, I remain of the view that the purchase of a car was an unusual expense and not something I'd have expected Virgin Money to have specifically used in its affordability assessment. I also think it's fair to note that whilst one of Mr C's accounts with a bank I'll refer to as L was overdrawn from 17 June 2023, he repaid £1,000 on 30 June 2021 using funds from another sole named current account.

I understand Mr C will have needed to repay the funds used to purchase the car at a later date. But from reviewing Mr C's bank statements, in my view, he had capacity to sustainably afford the increased credit limit of £9,000 and cover the remaining funds he used to help purchase the car.

I'm very sorry to disappoint Mr C but having considered all the available information again along with his comments, I haven't been persuaded to change the outcome I reached in my provisional decision. I remain of the view that Virgin Money lent responsibly, for broadly the same reasons.

My final decision

My decision is that I don't uphold Mr C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 19 August 2025.

Marco Manente
Ombudsman