

The complaint

Mrs F complains that Clydesdale Bank Plc trading as Virgin Money lent irresponsibly when it approved her credit card application.

What happened

Mrs F applied for a Virgin Money credit card in June 2024. In her application, Mrs F said she was retired with an annual income of £19,000 that Virgin Money calculated left her with £1,433 a month after deductions. Virgin Money says it used a service provided by the credit reference agencies to verify Mrs F's income. A credit search found Mrs F had outstanding debts totalling around £7,200. No defaults, County Court Judgements or recent missed payments were noted on Mrs F's credit file. Virgin Money carried out an affordability assessment and used a figure of £316 a month for Mrs F's rent and £809 for her essential spending. After taking her existing outgoings into account, Virgin Money reached the view Mrs F had a disposable income of £190 a month. As part of the application, Mrs F requested a balance transfer of £3,945 from an existing credit card. Virgin Money approved Mrs F's application and issued a credit card with a limit of £4,200. The balance transfer completed a short time later.

In November 2024 Virgin Money was contacted by a debt advice service I'll refer to as P on Mrs F's behalf. An offer of reduced payments was received by Virgin Money from P and accepted.

Mrs F complained that Virgin Money lent irresponsibly and said she was already in a Debt Management Plan (DMP) when she applied for her credit card. Virgin Money issued a final response and said it had carried out the relevant lending checks before approving her application and didn't agree it lent irresponsibly. Virgin Money also provided details of organisations that can provide debt advice.

An investigator at this service looked at Mrs F's complaint. They said there was nothing in the information Virgin Money obtained that showed Mrs F was already in a DMP when she made her application. The investigator upheld Mrs F's complaint as they felt the £190 disposable income figure Virgin Money reached meant repayments to the new credit card would be unaffordable. The investigator asked Virgin Money to refund all interest, fees and charges applied to Mrs F's account from the date of approval.

Virgin Money didn't agree and said the figures provided showed the credit card was affordable. Mrs F also asked to appeal so her 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, the rules say Virgin Money had to complete reasonable and proportionate checks to ensure Mrs F 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 understand Mrs F says she was already party to a DMP when her Virgin Money application was made. But the lending data provided by Virgin Money shows there was no reference to a DMP in the information it obtained. Looking at the credit file information Virgin Money used, there was no evidence of any missed payments, defaults, payment arrangements or other adverse credit. Virgin Money found Mrs F owed around £7,165 in other unsecured debt. But all the accounts were up to date. So whilst I note what Mrs F says I'm satisfied there was nothing available in the information obtained by Virgin Money that showed she was already in a DMP or that her existing commitments were subject to payment arrangements.

I've set out the information Virgin Money obtained when considering Mrs F's application above. As noted, Virgin Money took details of Mrs F's income and verified it via the credit reference agencies. Mrs F's existing debts and credit file were also considered. An affordability assessment was completed that took Mrs F's rent and regular outgoings into account. Ultimately, Virgin Money reached the position Mrs F had £190 remaining each month as a disposable income after covering her existing outgoings.

Our investigator wasn't persuaded that amount was sufficient to cover repayments if Mrs F borrowed to the credit limit once the initial promotional balance transfer rate was approved. I think that was a reasonable conclusion to reach. Mrs F had a monthly income of £1,433 and deductions of £316 for her rent, £809 for her living expenses and £118 for loan repayments were applied. That left Mrs F with a disposable income of £190 a month. Whilst Mrs F's repayments during the balance transfer promotion were subject to a promotional interest rate, we need to consider what repayments would've looked like once that period ended. Assuming Mrs F borrowed the full £4,200 available and a monthly repayment of 5% it would come to £210. And the figures show Mrs F only had a disposable income of £190. So I agree with the investigator's view the credit card appeared to be unaffordable.

As Mrs F's credit card was subject to a promotional interest rate, it's not clear whether any interest was charged. But I can see a balance transfer fee would've been applied. And it's not clear whether any late fees have been applied. I'm satisfied the fairest approach is to uphold Mrs F's complaint and direct Virgin Money to refund any fees (including the balance transfer fee), charges or interest that has been applied to the balance from the date of approval.

I know Mrs F has asked for the outstanding balance to be written off, but I'm not persuaded that's a fair way to resolve her complaint. The funds Virgin Money lent were used to repay £3,950 Mrs F already owed to another lender. In my view, it's fair that Mrs F reaches an agreement with Virgin Money to repay the outstanding balance in a fair and sustainable way.

To that end, I can see that Virgin Money has already agreed a payment arrangement for Mrs F's account via P. As part of the settlement of this case, Virgin Money will need to continue working with Mrs F and her representatives at P to ensure future repayments remain affordable. I'm sorry to disappoint Mrs F, but I haven't found grounds to tell Virgin Money to write off the outstanding balance.

For the reasons I've given above, I'm upholding Mrs F's complaint and directing Virgin Money to refund any and all interest, fees or charges applied to her credit card balance from the date of approval.

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 Mrs F 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 decision is that I uphold Mrs F'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.
- If the rework results in a credit balance, this should be refunded to Mrs F 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 regarding this account from Mrs F's credit file.
- Or, if after the rework there is still an outstanding balance, Virgin Money should arrange an affordable repayment plan with Mrs F for the remaining amount. Once Mrs F has cleared the balance, any adverse information in relation to the account should be removed from their credit file.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs F to accept or reject my decision before 1 October 2025.

Marco Manente
Ombudsman