DRN-5697833

Financial Ombudsman Service

The complaint

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

What happened

Mr B applied for a Virgin Money credit card in August 2022. In his application, Mr B said his income was £45,000 that Virgin Money calculated left him with £2,851 a month after deductions. Mr B also said he was living with his parents. Virgin Money used a service known as CATO provided by the credit reference agencies to verify Mr B's income level. A credit search found Mr B owed around £14,600 in other unsecured debt with £14,400 of that figure relating to loans. No adverse credit, defaults or recent missed payments were noted on Mr B's credit file. Virgin Money carried out an affordability assessment taking Mr B's income, monthly payments to his existing debts and an estimate of general living expenses. Virgin Money calculated Mr B had a disposable income of £1,204 a month after covering his existing outgoings. Virgin Money also applied a credit scoring process to the application.

Virgin Money approved Mr B's application and issued a credit card with a limit of £4,000. Mr B used his credit card and Virgin Money went on to increase the limit to £4,500 in July 2023 and £5,000 in June 2024.

More recently, Mr B 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 B's application and increasing the credit limit and didn't agree it lent irresponsibly.

An investigator at this service looked at Mr B's complaint. They thought Virgin Money completed reasonable and proportionate checks before approving Mr B's application and that its decision to do so was reasonable based on the information it obtained. The investigator thought Virgin Money should've completed more comprehensive lending checks before approving both credit limit increases. The investigator looked at Mr B's bank statements for the months before both credit limit increases. They thought the bank statements showed Mr B was able to sustainably afford the increased credit limits and didn't agree Virgin Money lent irresponsibly. Mr B asked to appeal, so his 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 or increasing the credit limit, the rules say Virgin Money had to complete reasonable and proportionate checks to ensure Mr B 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.

As noted above, Mr B gave his income as £45,000 or £2,851 a month. That figure was verified by Virgin Money using CATO to check his current account turnover. So I'm satisfied Virgin Money was working with a broadly accurate income figure when considering Mr B's application. Mr B confirmed he was living with his parents in the application and I can see Virgin Money applied a reasonable estimate for his regular living expenses when completing its affordability assessment.

The credit file results showed Mr B had other credit card debt of around £200 with the remaining £14,400 relating to loans in his name. The payments were up to date and there was no evidence of adverse credit indicating Mr B was in a stable financial position.

Ultimately, Virgin Money reached the view Mr B had a disposable income of £1,204 a month after covering his existing outgoings. In my view, that was a reasonable conclusion for Virgin Money to reach following proportionate lending checks. Having considered the information Virgin Money obtained I haven't been persuaded it lent irresponsibly to Mr B.

Before increasing Mr B's credit limit to £4,500 in July 2023 Virgin Money his other debts had gone up to around £23,500. In my view, that level of increase should've caused Virgin Money to consider a more comprehensive approach before increasing Mr B's credit limit. One option available would've been for Virgin Money to review Mr B's bank statements to get a clearer picture of his circumstances. That's the approach I've taken for both the credit limit increases.

I found that in the months before July 2023 Mr B had an average income of around £2,750. Mr B's regular outgoings and commitments came to an average of around £1,600 leaving him with a disposable income of £1,150. Mr B's bank statements were well maintained with no obvious signs he was overcommitted or experiencing financial difficulties. In my view, if Virgin Money had carried out more detailed lending checks like reviewing Mr B's bank statements it's more likely than not it would've still approved the credit limit increase to £4,500. I'm sorry to disappoint Mr B but I haven't been persuaded Virgin Money lent irresponsibly when it approved Mr B's credit limit increase to £4,500.

The credit limit was increased to £5,000 in June 2024. I've reviewed Mr B's bank statements and found his average monthly income was around £3,080. Mr B's regular outgoings and commitments averaged around £2,170 a month leaving him with around £910 as a disposable income. I'm satisfied that would've been sufficient to sustainably afford repayments to the increased credit limit of £5,000. Again, Mr B's bank statements were well maintained and I haven't seen anything that would've identified he was in financial difficulties. Whilst I think Virgin Money could've taken a more comprehensive approach to the assessment before approving the credit limit increase to £5,000, I think a review of Mr B's bank statements would've still led to it proceeding. I'm sorry to disappoint Mr B but I haven't been persuaded Virgin Money lent irresponsibly when it increased his credit limit to £5,000.

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 Virgin Money lent irresponsibly to Mr B 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.

My final decision

My decision is that I don’t uphold Mr B’s complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr B to accept or reject my decision before 16 October 2025.

Marco Manente
Ombudsman