

The complaint

Miss S complains Clydesdale Bank PLC trading as Virgin Money (Virgin) failed to carry out thorough financial checks before it approved a credit card account for her.

What happened

Miss S says Virgin approved a credit card account for her in June 2022 with a credit limit of £2,300 at a time when she had multiple credit accounts, a poor credit score and if Virgin had carried out more thorough financial checks, it would have seen this new borrowing was unaffordable. Miss S says the situation has caused her stress and anxiety and wants Virgin to take financial responsibility for this.

Virgin says it is a responsible lender and before approving the credit card facility for Miss S it used data and information from her application and credit reference agencies (CRA's) and its own internal lending criteria.

Virgin says Miss S declared an annual income of £18,000 and a total household income of £31,000 and the data showed she had external debt of £2,700 with no CCJ's recorded, payday loans, cash advances and there were no obvious signs of financial pressure. Virgin says Miss S had a strong net disposable income and feels it lent responsibly.

Miss S wasn't happy with Virgin's response and referred the matter to this service.

The investigator looked at all the available information but didn't uphold the complaint. The investigator pointed out there are no set list of checks lenders like Virgin must undertake but these must be borrower focused taking into account the amount, term, type and cost of any such lending.

The investigator says Virgin had evidenced it used CRA's and Office for National Statistics (ONS) to verify the financial information regarding Miss S's income and expenditure that she declared on her application form. The investigator noted that the information he had seen showed Miss S was living with her parents and paid no rent and her net disposable income (NDI) was around £1,000 per month. The investigator says this data also showed Miss S had no CCJ's, defaults or missed payments with external commitments of around £2,700.

The investigator felt however that Virgin should have just relied on Miss S's personal income for the purposes of the application, so obtained copies of her bank statements leading up to when the credit card account was approved in June 2022. The investigator says this suggested Miss S's average net monthly income was £1,348 and her essential expenditure was £215 per month and credit commitments of around £376 per month, leaving around £750 as disposable income which was sufficient to meet the new borrowing Virgin approved.

The investigator felt that Virgin had made a fair lending decision.

Miss S didn't agree with the investigator's view and asked for the matter to be referred to an ombudsman for a final 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.

Having done so, I won't be upholding this complaint and I will explain how I have come to my decision.

I was sorry to hear that Miss S is experiencing financial difficulties and this has impacted on her mental wellbeing, and this must be a difficult time for her. When looking at this complaint I will consider if Virgin acted irresponsibly when it provided a credit card account for Miss S in June 2022.

Miss S's complaint centres around the fact Virgin failed to carry out thorough enough financial checks before it approved a credit card facility for her in June 2022. Miss S feels strongly that Virgin relied upon inappropriate income assumptions, ignored her credit history and the fact her financial background suggested financial vulnerability.

While I understand the points Miss S makes here, I'm not fully persuaded by her argument and I will go on to explain why.

As the investigator has pointed out, there are no set list of checks lenders like Virgin must carry out other than these should be borrower focused, taking into account the amount, type term and cost of any lending approved. It's also not for me to tell Virgin what checks it must carry out or from what source those checks must come from.

From the information I have seen Virgin used information gathered from Miss S's application along with data obtained from CRA's and the ONS, to assess her financial background and verify her income and expenditure that was declared on her application. I can see that this data showed while Miss S had external debt of around £2,700, she had no history of defaults, CCJ's or missed payments. The information also shows Miss S lived with her parents paying no rent, and she earned around £18,000 per annum.

I can see Virgin conducted its own affordability modelling and used the household income of £31,000 to determine affordability but at the same time taking into account all household essential bills. While I am satisfied Virgin conducted reasonable and proportionate checks here, one could argue that using household income wasn't the best way to assess Miss S's ability to sustainably make future payments needed for this level of credit.

So here the investigator obtained copies of Miss S's bank statements for the three months leading up to the credit card being approved, to give a better picture of Miss S's true income and expenditure at that time. I can see from those statements, as Miss S had stated in her credit card application, she wasn't contributing to the household rent and from what I could see her income was as she had declared, showing that she had a strong level of NDI of around £700 to £750 per month.

So with that in mind, even though Virgin may have used an inappropriate income measure, as it had included all household bills in its modelling, the fact remains Miss S at that time seemed on balance to be able to afford this new financial commitment as her own NDI was strong.

It's also worth mentioning here that Miss S used the borrowing approved by Virgin for balance and money transfers at 0% interest for a period between 12 and 16 months and it's fair to say in all likelihood, some of those funds were used to reduce existing commitments she had outstanding.

So taking everything into account, I can't agree with Miss S that Virgin ignored her credit history as it had conducted proportionate CRA checks, which didn't highlight any financial issues. It's also fair to say this, along with her bank statements which showed a well-run account, didn't show any obvious signs of financial vulnerability here.

With that in mind I am satisfied Virgin acted responsibly when providing the credit card account to Miss S, for the reasons I have already mentioned.

From what I can see it appears Miss S's financial position deteriorated when she became unemployed in 2023, and if she is now struggling to maintain her monthly payments to Virgin I would suggest, if she hasn't already, discusses this with them to arrange for an affordable monthly repayment plan.

I've also considered whether Virgin acted unfairly or unreasonably in some other way given what Miss S has complained about, including whether its relationship with her might have been unfair under s.140A Consumer Credit Act 1974. However, for the same reasons I have set out above, I've not seen anything that makes me think this was likely to have been the case.

While Miss S will be disappointed with my decision, I won't be asking anymore of Virgin.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 10 September 2025.

Barry White
Ombudsman