DRN-5705307

The complaint

Mr H complains that Clydesdale Bank Plc trading as Virgin Money irresponsibly lent to him.

What happened

Mr H was approved for a Virgin Money credit card in July 2016 (which I will refer to as A in this decision), with a £7,100 credit limit. Mr H was approved for another Virgin Money credit card in April 2020 (which I will refer to as B in this decision), with a £4,800 credit limit. Mr H says that these credit cards were irresponsibly lent to him.

Mr H made a complaint to Virgin Money, who did not uphold his complaint. They said they were unable to agree they acted incorrectly as they deemed the credit limits to be appropriate, based on Mr H's circumstances at the time they were approved. Mr H brought his complaint to our service.

Our investigator partially upheld Mr H's complaint. She said that Virgin Money should have completed further checks for each lending decision, but Mr H was unable to provide her with bank statements leading up to A being approved. She said Mr H's bank statements leading up to B being approved showed that Virgin Money acted unfairly to approve B.

Virgin Money asked for an ombudsman to review the complaint. They said that after viewing Mr H's bank statements they were right to complete a household affordability assessment, and they were struggling to see from the bank statements financial difficulties. Virgin Money said that the statements showed multiple credits from another account that Mr H was a holder on it, which suggested further household funds were available.

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 approve the credit available to Mr H, Virgin Money needed to make proportionate checks to determine whether the credit was affordable and sustainable for him. There's no prescribed list of checks a lender should make. But the kind of things I expect lenders to consider include - but are not limited to: the type and amount of credit, the borrower's income and credit history, the amount and frequency of repayments, as well as the consumer's personal circumstances. I've listed below what checks Virgin Money have done and whether I'm persuaded these checks were proportionate.

Acceptance for A

The information showed that Mr H had no County Court Judgements (CCJ's) or defaults being reported by the Credit Reference Agency (CRA), and no accounts in arrears at the time of the checks.

Mr H declared a gross annual income of £27,000. The CRA informed Virgin Money that Mr H had unsecured debt of £22,660 which £12,517 was for revolving debt (such as any credit cards/store cards/overdrafts he had). The remaining £10,143 was for non-revolving debt (such as personal loans/hire purchase agreements etc).

Virgin Money completed an affordability assessment for Mr H. But Mr H was showing as having a financial associate, so Virgin Money completed a household affordability assessment to see if Mr H would be able to afford repayments for the £7,100 credit limit.

I'm persuaded that it was fair for Virgin Money to expect Mr H wouldn't pay all of the household outgoings, and this is why it would be fair to consider what his financial associate would be paying also towards the outgoings. While his financial associate wouldn't be responsible for paying any of the repayments on A, it wouldn't be fair to include outgoings that Mr H wouldn't be paying towards his expenditure.

But I do think it would have been proportionate for Virgin Money to have completed further checks here. I say this because Mr H had a debt to gross annual income ratio of 83.9%. While I note that Mr H intended to complete a balance transfer(s) to the Virgin Money credit card, his revolving balances were higher than the credit limit, so his debt to income would increase further once A was approved.

The £7,100 credit limit was almost 26.3% of Mr H's declared gross annual income. So unless Mr H actually reduced his credit limits on his other credit cards or paid these balances off and closed those accounts, he would still have access to that credit elsewhere.

Mr H's income was a lot different to his financial associate's income. He earned around a quarter of what his partner earned, so if he paid for a 50/50 split of the outgoings, then he may not have the affordability to make sustainable repayments for a £7,100 credit limit.

So based on the debt to income ratio, Virgin Money not knowing the split of outgoings between Mr H and his partner, and the disparity in pay between himself and his financial associate, then I'm persuaded that Virgin Money should have completed further checks here.

There's no set way of how Virgin Money should have made further proportionate checks. One of the things they could have done was to contact Mr H to ask him how the bills were split, and to ensure he could make sustainable and affordable repayments for the credit limit provided. Or they could have asked for his bank statements as part of a proportionate check to ensure the lending was sustainable and affordable for him.

Our investigator asked Mr H for his bank statements leading up to A being approved. But Mr H confirmed that his bank statements didn't go back that far. So on the face of it, it does look like Virgin Money should've looked more closely into this. But as my role is impartial, that means I have to be fair to both sides and although I'm satisfied that Virgin Money should've done more checks here – I can't say whether further checks would've revealed further information which means they wouldn't have lent.

So as Mr H hasn't provided us with the information he was asked for (albeit through no fault of his own), that means that it wouldn't be fair for me to say that Virgin Money shouldn't have lent here, because I don't know what further checks would reveal.

Acceptance for B

The information showed that Mr H again had no CCJ's or defaults being reported by the CRA, and no accounts in arrears at the time of the checks. Mr H declared a gross annual income of £37,000. The CRA informed Virgin Money that Mr H had unsecured debt of £30,510 which £1,815 was for revolving debt. The remaining £28,695 was for non-revolving debt.

Virgin Money completed an affordability assessment for Mr H. But Mr H was showing as having a financial associate, so Virgin Money completed a household affordability assessment to see if Mr H would be able to afford repayments for the £4,800 credit limit.

Again, I'm persuaded that it was fair for Virgin Money to expect Mr H wouldn't pay all of the household outgoings, and this is why it would be fair to consider what his financial associate would be paying also towards the outgoings. While his financial associate wouldn't be responsible for paying any of the repayments on B, it wouldn't be fair to include outgoings that Mr H wouldn't be paying towards his expenditure.

But I do think it would have been proportionate for Virgin Money to have completed further checks here. I say this because Mr H had a debt to gross annual income ratio of around 82.5%. While I note that Mr H intended to complete a balance transfer(s) to the Virgin Money credit card, his revolving balances were a lot lower than the credit limit, so this could suggest that Mr H's revolving balances were higher than the £1,815 the CRA reported if Mr H was wanting to complete balance transfers totalling £3,700.

Again, Mr H's income was different to his financial associate's income. He earned about 58% of what his partner earned, so if he paid for a 50/50 split of the outgoings, then he may not have the affordability to make sustainable repayments for a £4,800 credit limit.

So based on the debt to income ratio, and Virgin Money not knowing the split of outgoings between Mr H and his partner, then I'm persuaded that Virgin Money should have completed further checks here.

Again, there's no set way of how Virgin Money should have made further proportionate checks. One of the things they could have done was to contact Mr H to ask him how the bills were split, and to ensure he could make sustainable and affordable repayments for the credit limit provided. Or they could have asked for his bank statements as part of a proportionate check to ensure the lending was sustainable and affordable for him.

Mr H has provided his bank statements leading up to the approval of B. I can see that there were credits from another account which Mr H was named on, which could suggest that Mr H had other savings he could use towards his repayments for B. But there were also signs of financial difficulty such as repeated overdraft usage, and personal loans crediting the joint account. So I've investigated this further.

Mr H has told me that he stopped using the external joint account in 2010. He forwarded the statements leading up to B being approved to prove this. I can confirm that Mr H is not named on the account, only his wife. But to ensure that Mr H had sent me the correct statements, I cross referenced debits on this account in his wife's name to the joint statements he had sent us and Virgin Money has viewed.

I can confirm that it appears to be a computer error that the credits into the joint account show Mr H's initial and surname. I have cross referenced several transactions, over a three month period, including a transaction for £200 on 28 January 2020, a transaction for £3,670.41 on 6 February 2020 (which shows on 5 February 2020 on the joint account – this can happen based on a banks cut off time to report transactions the same/next day which it appears different between the two banks here) and a £1,000 transaction to the joint account which shows on 12 March 2020 on the sole statement (but 11 March 2020 on the joint account Mr H is actually on).

So while I think it was proportionate for Virgin Money to question if Mr H was an account holder on another account, I can confirm that after looking at the other account in question, that there is no indication Mr H was involved on that account at all leading up to B being approved.

I've then went to look at the lending crediting the joint account. Mr H has provided his credit file to evidence whether he was named on a loan or not. He's told me that himself and his wife didn't have joint personal loans, and the only joint lending they had was for the mortgage and a secured loan.

Mr H has confirmed (and his credit file supports this) that he was not named on the loan which credited the joint account on 3 February 2020 for £15,000. But he was named on the £12,000 personal loan which credited the joint account on 9 January 2020, and the £12,000 personal loan which credited the joint account on 30 January 2020. I note that Mr H did not use the first personal loan to pay off the second personal loan he was named on. And the bank statements appear to show that Mr H was reliant on his wife transferring money from her sole account to the joint account just so the bills could be met.

The balance of A had been repaid by a personal loan, and Mr H had not closed his account after this, so he still had access to the credit limit. I've considered that the balance transfer(s) could save Mr H some interest, and in theory lower his outgoings (albeit the CRA didn't report he had balances outstanding on credit cards for the amount he was transferring), but the evidence shows he was already having financial difficulty at this point, and I'm not persuaded that he could afford sustainable repayments for a £4,800 credit limit. So I'm not persuaded that Virgin Money made a fair lending decision here.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed at the end of this decision results in fair compensation for Mr H in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Putting things right

Our investigator has suggested that Virgin Money takes the actions detailed below, which I think is reasonable in the circumstances. In addition to this, if Virgin Money do not own the debt anymore for the account, then they should also transfer any debt back to themselves if it has been passed to a debt recovery agent or liaise with them to ensure the redress set out below is carried out promptly.

My final decision

I uphold this complaint in part. Clydesdale Bank Plc trading as Virgin Money should take the following actions on Card B only:

Virgin Money should arrange to transfer any debt back to themselves if it has been passed to a debt recovery agent or liaise with them to ensure the redress set out below is carried out promptly;

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 Mr H 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 Mr H's credit file;

Or, if after the rework there is still an outstanding balance, Virgin Money should arrange an affordable repayment plan with Mr H for the remaining amount. Once Mr H has cleared the balance, any adverse information in relation to the account should be removed from Mr H's credit file.

**If Virgin Money considers that they are required by HM Revenue & Customs to deduct income tax from that interest, they should tell Mr H how much they've taken off. They should also give Mr H a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.*

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 18 November 2025.

Gregory Sloanes
Ombudsman