

The complaint

Miss W complains that Clydesdale Bank Plc trading as Virgin Money irresponsibly lent to her.

What happened

Miss W was approved for a Virgin Money credit card in October 2021, with a £7,300 credit limit. The credit limit was increased to £10,300 in August 2022. Miss W says that Virgin Money irresponsibly lent to her, and she made a complaint to Virgin Money.

Virgin Money did not uphold Miss W's complaint. They said after they completed their checks, affordable and appropriate credit limits were assigned to her. Miss W brought her complaint to our service.

Our investigator did not uphold Miss W's complaint. She said Virgin Money should have made further checks, however, further checks would have shown the lending was affordable for Miss W.

Miss W asked for an ombudsman to review her complaint. She made a number of points. In summary, she said Virgin Money did not verify her income or expenditure, she only made repayments to her account via balance transfers or cash from other credit cards she held, she had a significant change of circumstances which increased her outgoings, however, Virgin Money didn't ask her if her circumstances changed.

Miss W said that expenses such as food was being paid by her friends which wouldn't show on her bank statements, she was part of a debt management plan, she was reliant on family and friends to meet her priority bills, and she detailed the impact the lending had on her health.

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.

Firstly, I'm aware that I've only summarised Miss W's complaint points. And I'm not going to respond to every single point made by her. No discourtesy is intended by this. It simply reflects the informal nature of our service as a free alternative to the courts. If there's something I haven't mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual point to be able to reach what I think is a fair outcome.

I'd like to thank Miss W for telling our service personal information about her family circumstances, and details about her health. I won't go into detail about these things in this decision to protect Miss W's identity, but I can assure her that I've read everything that she's told us.

Before agreeing to approve or increase the credit available to Miss W, Virgin Money needed to make proportionate checks to determine whether the credit was affordable and

sustainable for her. 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 the Virgin Money credit card

The information showed that Miss W had no County Court Judgements (CCJ's) or defaults being reported by the CRA, and no accounts in arrears at the time of the checks. Miss W declared a gross annual income of £68,500.

While Virgin Money did not validate Miss W's income, they did use Current Account Turnover (CATO) to assess Miss W's income. This is an industry standard way of assessing income, and therefore it doesn't automatically follow that Virgin Money must request payslips or bank statements to verify an income. The CATO checks showed a reduced income of £42,000 per annum.

The CRA informed Virgin Money that Miss W had unsecured debt of £6,442. While the account Miss W applied for appeared to have a balance transfer promotional offer, no balance transfer request was showing in the figures Virgin Money used.

So if Miss W wouldn't have used the Virgin Money credit limit to repay debt with third parties, and if she used the full £7,300 credit limit, then her total unsecured debt would have been around £13,742. This would have been around a third of the CATO income. So I'm persuaded that Virgin Money should have completed further checks to ensure the lending was affordable and sustainable for Miss W.

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 Miss W to verify her outgoings, and to ensure she could make sustainable and affordable repayments for the credit limit offered. Or they could have asked for her bank statements as part of a proportionate check to ensure the lending was sustainable and affordable for her.

Miss W has provided her bank statements leading up to this lending decision. Her statements show her account is generally well run. Although Miss W sometimes uses an overdraft, using an overdraft in its own right does not automatically mean she couldn't afford repayments on a £7,300 credit limit. Miss W does not go near her authorised overdraft limit of £2,500.

Miss W has disposable income to spend on non-priority bills. There were no returned direct debits in the three month period I looked at, so if Virgin Money would have requested Miss W's bank statements leading up to this lending decision, then I'm persuaded that they would have still approved the same credit limit, and I'm persuaded that they made a fair lending decision here.

August 2022 credit limit increase - £7,300 to £10,300

I've considered what Miss W has said about Virgin Money not asking her if she had any change of circumstances. But the onus would be on Miss W to inform Virgin Money if there were any changes to her circumstances, as it would not be proportionate for them to do this.

But I have looked at what the information from Virgin Money's checks showed leading up to this lending decision. Miss W's unsecured debt was being reported by a CRA as being £18,910 leading up to this lending decision, which was higher than the last lending decision.

From the checks Virgin Money have sent us I could not find any other information about Miss W's external accounts such as any defaulted accounts, or arrears information. It may be that Miss W didn't have any defaulted accounts or accounts in arrears though.

As Miss W has provided our service with her credit file, I've reviewed this, and this doesn't show any defaulted accounts or any accounts in arrears at the time of these checks or leading up to these checks.

Virgin Money would have been able to see how Miss W managed her account since it had been opened. Miss W did actually complete a balance transfer, so this may have saved her interest she was paying elsewhere. Miss W incurred no late or overlimit fees since the account had been opened, and she typically wasn't using the card for new transactions after the initial transactions she made.

I've considered what Miss W has said about using cash from other cards to make her repayments, but as Virgin Money collected the payment by direct debit, then I can't reasonably say they should have done further checks here as there would be no indication that Miss W was borrowing to make her repayments.

But based on Miss W only making her minimum repayment typically to the account, her increased unsecured debt, and the credit limit increase being for £3,000 more, I'm persuaded that Virgin Money should have completed further checks to ensure the lending would be affordable and sustainable for Miss W.

Again, there's no set way of how Virgin Money should have done this. Miss W has again provided her bank statements leading up to this lending decision. Miss W enters an arranged overdraft more than she did at the last lending decision, but again, using an overdraft does not automatically mean additional lending would be unaffordable or unsustainable for her.

Miss W's statements appear to show that she has enough disposable income to make overseas transactions, pay for fast food, spend in bars etc. There are transactions to supermarkets showing on the statements, so it wouldn't appear to a third party that Miss W was having to borrow money from friends and family to pay for food. Miss W's statements do show a number of priority bills debiting her account during the three month period I looked at, and most of these were paid after Miss W received her salary.

There were no returned direct debits that I could locate for the three month period I looked at. And I couldn't locate any payments to debt management agencies, nor was Miss W's credit file showing any accounts were in a debt management plan leading up to this decision.

So if Virgin Money would have requested Miss W's bank statements as part of a proportionate check, it would appear she had enough disposable income to meet sustainable repayments for a £10,300 credit limit. So I'm 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, for the reasons I've already given, I can't conclude that Virgin Money lent irresponsibly to Miss W or otherwise treated her unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 4 November 2025.

Gregory Sloanes
Ombudsman