DRN-5726196

The complaint

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

What happened

Mrs G applied for a Virgin Money balance transfer credit card in July 2022. In her application, Mrs G said she earned £52,000 a year and that the total household income was £90,000 a year. Virgin Money says the total net income received by Mrs G's household was £5,549 a month. A credit search found Mrs G already owed around £29,200 in other unsecured debt and the application requested a balance transfer of £4,720 from an existing credit card provider onto a promotional interest rate. The credit file said Mrs G was making monthly repayments of around £965 a month to her existing debts and had a joint mortgage with repayments of £1,756.

Virgin Money completed an affordability assessment based on the household income and existing outgoings plus an estimate of essential living expenses of £1,763. In that assessment, Virgin Money considered Mrs G's unsecured debt repayments. Virgin Money reached the view that the Mrs G had a disposable income of around £855 a month after covering the existing outgoings and approved her application, issuing a credit card with a limit of £5,900.

Mrs G's balance transfer completed and the 0% promotional interest rate was applied for the agreed period. But Mrs G says that after the promotional interest period ended she found it difficult to maintain repayments.

More recently, Mrs G 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 Mrs G's application and didn't agree it lent irresponsibly.

An investigator at this service looked at Mrs G' complaint. They thought Virgin Money had completed reasonable and proportionate lending checks before approving Mrs G's application and weren't persuaded it lent irresponsibly. The investigator also reviewed Mrs G's bank statements and took the view they showed she had sufficient disposable income to sustainably afford repayments to a new credit card with a limit of £5,900 in July 2022.

Mrs G asked to appeal and repeated her view that her outgoings were higher than her income each month. Mrs G also said her bank statements showed she taken out various new loans in the months before the application was approved. As Mrs G asked to appeal 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 G 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've set out the information that Virgin Money used when considering Mrs G's application above. To confirm, Mrs G gave her personal income of £52,000 and household income of £90,000. The lending data provided by Virgin Money shows it used the total household income for the purposes of its affordability checks. Virgin Money calculate the household income would've been £5,549 net a month and used that in its lending assessment. I understand that by using the household income Virgin Money was including Mrs G's husband's income in its affordability assessment. But I can also see from the information provided that Virgin Money undertook its affordability assessment on the basis of the household expenditure and mortgage costs, in addition to Mrs G's existing debts. I'm satisfied that's an approach Virgin Money is able to use – in line with the relevant lending rules.

I accept Mrs G already had a significant amount of unsecured debt. But it was all up to date and no adverse credit, defaults or recent missed payments were found on Mrs G's credit file. And, as noted above, Mrs G was looking to transfer £4,720 to the new credit card to benefit from the 0% promotional interest rate which would've saved her money in the medium term. And I'm satisfied that Virgin Money also considered whether Mrs G could afford repayments to the new credit card once the promotional interest period ended and her payments increased when it completed its affordability assessment.

I've looked at Virgin Money's affordability assessment and note it took the joint mortgage payment of £1,756 plus an estimate for Mrs G's living expenses of £1,763 into account when deciding whether to lend. Virgin Money reached the view that Mrs G had a disposable income of £855 a month after paying her mortgage, living costs and existing credit commitments. In my view, that was a reasonable conclusion for Virgin Money to reach following proportionate lending checks. I'm sorry to disappoint Mrs G but I'm satisfied the level and nature of the checks completed by Virgin Money were reasonable and proportionate to the amount and type of credit it went on to approve. And I'm satisfied the decision to approve Mrs G's application was reasonable based on the information Virgin Money obtained. I'm sorry to disappoint Mrs G but I haven't been persuaded that Virgin Money lent irresponsibly.

I can see that Mrs G has also forwarded her bank statements to us for the months before the application was made. But as I've already noted, I haven't found grounds to say that Virgin Money should've taken a more detailed approach when considering Mrs G's application, like reviewing her bank statements. As a result, I haven't undertaken an affordability assessment via Mrs G's bank statements as it's not a step I think Virgin Money needed to take.

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 Mrs G or otherwise treated her 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 Mrs G’s complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Miss G to accept or reject my decision before 7 October 2025.

Marco Manente
Ombudsman