

Complaint

Miss B has complained that Clydesdale Bank Plc (trading as “Virgin Money”) shouldn’t have offered to increase the limit on her credit card.

Background

Virgin Money provided Miss B with a credit card with an initial limit of £3,600.00 in October 2021. In August 2022, Miss B’s credit limit was increased to £7,200.00 after she applied for a limit increase.

One of our investigators reviewed what Miss B and Virgin Money had told us. And he thought Virgin Money hadn’t acted fairly and reasonably when agreeing to increase Miss B’s credit limit. So he thought that Miss B’s complaint should be upheld.

Virgin Money disagreed and asked for an ombudsman to look at the complaint.

My provisional decision of 8 August 2025

I issued a provisional decision – on 8 August 2025 - setting out why I wasn’t intending to uphold Miss B’s complaint.

In summary, I was satisfied that proportionate checks would have shown Virgin Money that it wasn’t unreasonable to increase Miss B’s credit limit. In these circumstances, I was of the view that Virgin Money hadn’t acted unfairly or unreasonably towards Miss B.

Virgin Money’s response to my provisional decision

Virgin Money didn’t respond to my provisional decision or provide anything further for me to consider.

Miss B’s response to my provisional decision

Miss B responded to disagree with my provisional decision. She said that she’s only cleared her balance by taking a loan elsewhere. This would have shown that the original balance had only been cleared by taking on further debt. Furthermore, at the time of the uphold the card was already overdrawn by approximately £3,200.00 on a £3,600.00 limit.

My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Miss B’s complaint.

Having carefully considered everything, including events since my provisional decision, I’ve decided not to uphold Miss B’s complaint. I’d like to explain why in further detail.

Virgin Money needed to make sure it didn't lend irresponsibly. In practice, what this means is Virgin Money needed to carry out proportionate checks to be able to understand whether Miss B could afford to repay any credit it provided.

Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

Virgin Money says it initially agreed to Miss B's initial application for a credit card after it obtained information on her income and carried out a credit search. Virgin Money says that Miss B was then offered a credit limit increase to £7,200.00 in August 2022, after she applied for it and what had happened since the card was provided suggested that she could afford the increased payments that would be required had all of the extra credit been used.

On the other hand, Miss B says that she was already using a high amount of her existing credit and proportionate checks would have shown that she couldn't afford this credit limit increase.

I've considered what the parties have said.

What's important to note is that Miss B was provided with a revolving credit facility rather than a loan. And this means Virgin Money was required to understand whether Miss B could repay £7,200.00 within a reasonable period of time. Our investigator appears to have concluded that Virgin Money needed to ensure that Miss B could make monthly payments of in excess of £500 on this account. However, it's unclear to me how he arrived at such a figure or what this assessment of the monthly payment is based on.

Indeed, it's important to note that the only guidance on a reasonable period of time, is contained in CONC 5.2A.28G. It states that a lender should have regard to the typical time required for repayment that would apply to a fixed-sum unsecured personal loan for an amount equal to the credit limit. I don't think that a consumer would always be expected to repay a loan of £7,200.00 over a term of less than 18 months. In my experience, a typical term for a loan of around £7,000.00 would be four to five years. So I don't agree that Virgin Money needed to ensure that Miss B could repay over £500 a month and I'm afraid that I can place little to no weight on the investigator's conclusions as a result.

As I understand it, Miss B didn't have any significant adverse information such as defaulted accounts or county court judgments recorded against her at the time she applied for the limit increase. Furthermore, while the amount Miss B owed overall had increased, I don't think that this had increased alarmingly or in a way that was unsustainable. Indeed, it seems that the increase was pretty marginal.

Nonetheless, given there was the possibility of Miss B owing over £7,000.00, I do think that it would have been reasonable and proportionate for Virgin Money to find out a bit more about Miss B's regular living costs before offering the limit increase. I can't see that Virgin Money did this and that it instead appears to have relied on what Miss B declared at the time she initially applied for the card. In these circumstances, I'm not persuaded that Virgin Money's checks were proportionate.

As I've not been persuaded that Virgin Money carried out sufficient checks before agreeing to the limit increase, I've gone on to decide what I think it is more likely than not to have seen had it obtained further information from Miss B. In order to do so, I've looked at the information Miss B has provided with a view to recreating what a proportionate check is likely to have shown.

To be clear, I've not carried out a forensic analysis of Miss B's bank statements and all of the information she's provided in order to determine whether the credit card payments that could be due, if Miss B used all of the credit provided, was affordable for her. After all, Virgin Money wasn't required to obtain bank statements from Miss B. I've simply considered what Virgin Money is likely to have done if it had taken reasonable steps to obtain the information that I think was missing from its checks.

As I've explained, bearing in mind the circumstances here, I would have expected Virgin Money to have supplemented what it would have found out about Miss B's existing credit commitments, from the credit searches it carried out, with information about Miss B's actual regular living expenses.

Having considered the information Miss B has provided, I'm satisfied that it shows that Virgin Money finding out more about Miss B's actual regular living expenses is unlikely to have seen it reach a different decision on providing the limit increase. I say this because it looks like when Miss B's regular and committed living expenses at the time are added to her credit commitments and then deducted from her income, she did have sufficient funds left over in order to make sustainable repayments to credit card and the credit limit increase.

This is particularly as Miss B's credit card statements suggest that she had a balance transfer/new purchase offer, which meant that she would pay no interest on certain parts of her credit card debt for a period of 9 months. So there was the possibility that Miss B would have lower outgoings as she wouldn't have to pay interest on the debt that she was transferring in the way that she was prior to this application.

For the sake of completeness, I've also considered what Miss B has said about already being at a high level of her existing credit limit when she offered the limit increase. However, there is no dispute that Miss B had cleared her balance in full in the period leading up to the limit increase.

That said, in her response to my provisional decision, Miss B has said that she took out a loan elsewhere in order clear her Virgin Money credit card balance and that it ought to have realised this from its credit checks. However, it's important to note that a lender will not receive the same granular detail that a customer will should they obtain a copy of their credit report. It will typically receive a snapshot of what the customer owes and whether the customer has missed payments.

Given Miss B's response to my provisional decision, I've revisited the information Virgin Money had provided on the credit check it carried out. Having done so, I can see that it simply showed that Miss B had total outstanding debts of just under £16,500.00. I can't see that Virgin Money knew that Miss B had recently taken out a loan or what she'd used the proceeds from this loan for. Therefore, I don't think Virgin Money will have known what Miss B has said about repaying her credit card with borrowed funds.

So while I've given thought to Miss B's arguments, even if she did have a balance of £3,200.00 when offered the limit increase, I remain satisfied that this isn't a case where a borrower immediately utilised all of the credit available to them and remained at the upper end of their limit from when the card was given up to when the limit was increased.

Furthermore, even if Miss B did as she says, initially repay her credit card balance with funds borrowed through a loan, I'm satisfied that Virgin Money didn't actually know this.

I also need to consider all of this in the context that Miss B didn't have any other adverse information recorded against her over this time. This suggests that Miss B was reasonably managing the credit she had already been provided with. And in these circumstances, I don't think that Miss B's use of the card in itself means that she shouldn't have been offered the limit increase either.

Equally, having looked at Miss B's most recent credit card statements, it does look like she's been able to make significant inroads into her balance. And while I accept that this is not in itself determinative, nonetheless, Miss B's repayment record does tend to support the fact that this limit increase was affordable for her.

In reaching my conclusions, I've also considered whether the lending relationship between Virgin Money and Miss B might have been unfair to Miss B under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I've not been persuaded that Virgin Money irresponsibly lent to Miss B or otherwise treated her unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

So overall while I'm sorry to hear that Miss B found making her credit card payments a struggle, I don't think that Virgin Money treated Miss B unfairly or unreasonably when increasing her credit limit. And I'm not upholding this complaint. I appreciate this will be very disappointing for Miss B – particularly as the investigator albeit erroneously concluded that the complaint should be upheld. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

For the reasons I've explained above and in my provisional decision of 8 August 2025, I'm not upholding Miss B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 23 September 2025.

Jeshen Narayanan
Ombudsman