

The complaint

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

What happened

Miss B was approved for a Virgin Money credit card in April 2016 (which I will refer to as A in this decision), with a £4,300 credit limit. The credit limit on A was increased to £7,600 in August 2017. Miss B was approved for another Virgin Money credit card in July 2021 (which I will refer to as B in this decision), with a £5,400 credit limit. The credit limit on B was increased to £10,400 in September 2023. Miss B says that Virgin Money irresponsibly lent to her, and she made a complaint to them.

Virgin Money did not uphold Miss B's complaint. They said based on their assessment, an appropriate and affordable credit limit was assigned. Miss B brought her complaint to our service.

Our investigator did not uphold Miss B's complaint. She said that Virgin Money made fair lending decisions. Miss B asked for an ombudsman to review her complaint. She made a number of points. In summary, she said that she had a Bounce Back Loan for £32,000, and Virgin Money didn't ask about other debts which weren't showing on her credit file. She said this was a major financial commitment, and it should have been included on her affordability assessment.

Miss B said that her income varied month to month as she was self-employed, and a three month snapshot wouldn't be a reliable indicator of her repaying debt over the long term. Miss B said that she had a number of credit agreements approved in a short period of time, which added to her financial pressure. Miss B also told us about the effect of the lending had on her, including the impact on her mental health.

As my findings differed in some respects from our investigator's, I issued a provisional decision to give both parties the opportunity to consider things further. This is set out below:

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

I'd like to thank Miss B for telling our service detailed information about her personal circumstances including her health. I won't disclose exactly what she's told us in this decision to help protect her identity, but I can assure Miss B that I've read everything that she's told us.

I also must make Miss B aware that I can only look into the merits of the complaint that she brought to our service. She's told us other things that weren't part of her initial complaint (such as how Virgin Money have treated her collecting a small outstanding balance), but she'd need to make a separate complaint to Virgin Money about any separate issues she didn't originally complain about, to give Virgin Money the opportunity to address any separate issues.

Before agreeing to approve or increase the credit available to Miss B, 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 A

I'll address the subsequent lending decisions later on. The information from a Credit Reference Agency (CRA) showed that Miss B 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 B declared a gross annual income of £25,000, and she declared she was employed. Virgin Money calculated Miss B's net monthly income to be around £1,680 a month. The CRA informed Virgin Money that Miss B had unsecured debt of £4,279 which £1,609 was for revolving debt (such as any credit cards/store cards/overdrafts she had). The remaining £2,670 was for non-revolving debt (such as personal loans/hire purchase agreements etc).

Virgin Money completed an affordability assessment for Miss B, using information from the CRA and modelling, which showed the £4,300 credit limit would be affordable for Miss B. The application showed that Miss B wanted to complete a balance transfer, so she may have further disposable income if she transferred an external credit card balance to Virgin Money using a promotional offer available to her.

So I'm persuaded that Virgin Money's checks were proportionate, and they made a fair lending decision to approve A.

August 2017 credit limit increase on A - £4,300 to £7,600

The CRA reported that Miss B's total unsecured debt level was £8,102, so this had almost doubled since the last lending decision. I can't locate any data from Virgin Money's checks to see if Miss B had any arrears on any external accounts, or any defaulted accounts/CCJ's since the last lending decision.

Virgin Money would have been able to see how Miss B had used her Virgin Money credit card since it had been opened. I can see that Miss B incurred no late or overlimit fees since A had been opened. Miss B had often repaid more than her minimum required repayment, which could suggest she may have the affordability for a higher credit limit.

Virgin Money did not appear to complete an affordability assessment for this lending decision. So due to there being no external account data showing on Virgin Money's checks (apart from total unsecured debt), no affordability assessment, and the total of unsecured debt almost doubling since A had been opened, then I'm persuaded that Virgin Money should have completed further checks to ensure that the lending was affordable and sustainable for Miss B.

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 B to ask her for her credit file to see if there had been any recent arrears on her external accounts, and to find out why her unsecured debt had increased. 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 B has provided her bank statements leading up to this lending decision and her credit

file. Miss B's credit file doesn't appear to show any defaulted accounts/CCJ's or arrears between A being approved and this lending decision.

Miss B sometimes enters an overdraft, but she has an arranged overdraft limit of £750, which she doesn't come close to exceeding. There were no returned direct debits that I could locate. It does appear that Miss B had the affordability to afford sustainable repayments for a £7,600 credit limit, So I'm persuaded that Virgin Money made a fair lending decision here.

Acceptance for B

The information from a CRA showed that Miss B had no CCJ's or defaults being reported by the CRA, and no accounts in arrears at the time of the checks.

Miss B declared a gross annual income of £26,000, and she declared she was self-employed. As Miss B was self-employed, it's reasonable to expect that her self-employment income would fluctuate. Virgin Money calculated Miss B's net monthly income to be around £1,778 a month.

The CRA informed Virgin Money that Miss B had unsecured debt of £8,675, which was not too dissimilar to the last lending decision. Although Miss B says she had a Bounce Bank Loan, this is not a personal loan – even if she was a sole trader, and therefore the CRA did not report that Miss B had a £32,000 loan (as the total unsecured debt was just over a quarter of this figure. So I can't reasonably say that Virgin Money should have been aware of this, and it wouldn't have been proportionate to ask for business expenditure for a personal credit card, which B was.

Virgin Money would have been able to see how Miss B used A leading up to this lending decision. I can see that Miss B incurred a late payment fee around June 2018, but I note she did make a payment in the same month, and she repaid the full outstanding balance by the next month. Miss B also exceeded her credit limit in March-May 2020, although I note that she didn't incur any overlimit fees for this. Miss B then repaid the majority of the outstanding balance. When the checks were completed for B, Miss B didn't appear to have an outstanding balance on A.

Virgin Money completed an affordability assessment for Miss B, using information from the CRA and modelling, which showed the £5,400 credit limit would be affordable for Miss B. The application showed that Miss B wanted to complete two balance transfers, so she may have further disposable income if she transferred an external credit card balance to Virgin Money using a promotional offer available to her.

So I'm persuaded that Virgin Money's checks were proportionate, and they made a fair lending decision to approve B.

September 2023 credit limit increase for B - £5,400 to £10,400

The CRA reported that Miss B's total unsecured debt level was £14,218, so this had almost doubled since the last lending decision. Again, I can't locate any data from Virgin Money's checks to see if Miss B had any arrears on any external accounts, or any defaulted accounts/CCJ's since the last lending decision.

Virgin Money would have been able to see how Miss B had used B since it had been opened. I can see that Miss B incurred a late payment fee around January 2023. Miss B sometimes paid more than her minimum repayment, but when she made large repayments, this would not appear possible from her declared gross income that she had declared at the

last lending decision, so this could indicate she was completing balance transfers with other providers, possibly on newly opened accounts.

Virgin Money again did not appear to complete an affordability assessment for this lending decision. So due to there being no external account data showing on Virgin Money's checks (apart from total unsecured debt), no affordability assessment, and the total of unsecured debt almost doubling since B had been opened, then I'm persuaded that Virgin Money should have completed further checks to ensure that the lending was affordable and sustainable for Miss B.

Miss B has again provided her bank statements leading up to this lending decision and her credit file. Miss B's credit file doesn't appear to show any defaulted accounts/CCJ's or arrears between A being approved and this lending decision.

Miss B's overdraft leading up to this lending decision was £1,000, which she sometimes goes close to her overdraft limit. There are signs of financial difficulty as while there are no direct debits returned, I can see that it appears Miss B relies on friends/family to credit her account at times, including a £500 payment with the reference of "loan".

Miss B's income is higher than what she declared at the last lending decision. But due to the self-employed status she told Virgin Money when B was opened, this does not mean that this would be guaranteed moving forward. In addition to this, the statements show tax payments being made.

So if Miss B's income genuinely has risen since she opened B, then I would expect her tax payments to increase also. I also need to be mindful that although Miss B's balance on A at the time of this lending decision was £0, she still had access to £7,600 on A which Virgin Money deemed affordable for her. So both limits on A and B at this point would have been £18,000 – almost 70% of her declared gross income when B was approved, not to mention her debt which she held externally.

While I accept Miss B may have some extra disposable income as a result of completing the balance transfers she intended to complete, I'm not persuaded that she still had a sufficient disposable income in order to sustainably make repayments for a £10,400 credit limit. So I'm not persuaded that Virgin Money made a fair lending decision to increase the credit limit on B to £10,400.

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 Miss B in the circumstances of her complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case."

I invited both parties to let me have any further submissions before I reached a final decision. Miss B accepted the provisional decision. Virgin Money did not accept the provisional decision.

Virgin Money said that Miss B's highest balance after the increase on B was £2,816.07 and she cleared the balance within a few months, so there was no remedial action for them to take as the balance never exceeded £5,400. They also referred to a separate decision that our service made which they said was similar, but it wasn't upheld.

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.

I can confirm to Virgin Money that I read everything they (and Miss B) said and sent us, including what the highest balance was prior to them sending our service their business file for this complaint. But the business file shows B is still open. So it's possible that since Virgin Money sent us that information, that the balance on the account may have exceeded £5,400.

I must make it clear to Virgin Money that each complaint is judged on its own merits, so even if a complaint seems similar to another complaint, there could be nuances between the complaints which can result in different outcomes. For example – on the case Virgin Money referred me to, the provisional decision mentions Virgin Money suspended the borrower's ability to use the account, which they didn't do for Miss B – so she could have still exceeded £5,400 at a later date.

In summary, Virgin Money's response hasn't changed my view, and my final decision and reasoning remains the same as in my provisional decision.

Putting things right

In the provisional decision I said I intend to uphold this complaint in part. I said I intend to ask Clydesdale Bank Plc trading as Virgin Money to take the following actions on 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;

End the agreement and rework the account removing all interest, fees, charges, and insurances (not already refunded) that have been applied to balances above £5,400 after 14 September 2023;

If the rework results in a credit balance, this should be refunded to Miss B 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 Miss B's credit file recorded after 14 September 2023;

Or, if after the rework the outstanding balance still exceeds £5,400, Virgin Money should arrange an affordable repayment plan with Miss B for the remaining amount. Once Miss B has cleared the balance, any adverse information recorded after 14 September 2023 in relation to the account should be removed from her credit file.

I'm still satisfied this is a fair outcome for the reasons given previously.

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

My final decision

I uphold this complaint in part. Clydesdale Bank Plc trading as Virgin Money should settle the complaint in line with the instructions in the "Putting things right" section above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 9 October 2025.

Gregory Sloanes
Ombudsman