DRN-5813975

The complaint

Mr C complains that Clydesdale Bank Plc trading as Virgin Money gave him credit which he couldn't afford to repay.

What happened

In November 2015 Virgin Money gave Mr C a credit card with a £9,000 limit. It increased this to £14,000 in August 2017 and the account was closed in February 2018. In November 2021 Mr C was given a second credit card with a limit of £4,000. His limit was decreased to £1,000 in December 2023.

Mr C argues that he couldn't afford to repay the limits given. He's said he was struggling financially and increasing his limit only made his position worse. In relation to his November 2021 credit card, Mr C has also said he was making payments to a number of other credit providers which should have indicated to Virgin Money that he couldn't afford this additional credit. And ultimately Mr C says he entered a debt management plan in January 2024.

Virgin Money considered his complaint. Initially it didn't agree our service could consider the 2015 credit card and subsequent increase, because it thought Mr C had raised his complaint outside the relevant time limits which apply. In relation to the 2021 credit card account, Virgin Money didn't comment.

Unhappy with Virgin Money's response, Mr C referred his complaint to our service. Initially we considered whether Mr C had referred his complaint in time. This was relevant to the November 2015 credit card and limit increase. The investigator concluded Mr C had referred his complaint in time but as Virgin Money disagreed, this was referred to an ombudsman. The ombudsman agreed Mr C had complained in time.

The complaint was passed back to the investigator to reach an opinion on the outcome of the complaint. The investigator upheld the complaint in part. They agreed the first credit card and subsequent limit increases weren't affordable for Mr C. However, they thought the checks completed by Virgin Money in relation to the second credit card were reasonable and proportionate. And suggested Mr C could afford to repay the limit given.

Both parties disagreed with the outcome reached by the investigator and so this complaint has been passed to me to consider.

I issued a provisional decision on this complaint. I explained that I didn't intend to uphold the first credit card and subsequent limit increase. However, I was minded to uphold Mr C's complaint about the second credit card in November 2021. This was because Virgin Money had taken into consideration additional household income, but I wasn't fully satisfied it had also considered the other household expenditure. Specifically, I didn't think it had considered the regular financial commitments of the other party, of which Mr C had said there was a number.

Virgin Money responded to my provisional decision and provided evidence that this had been considered in its expenditure information. I reconsidered the complaint and explained to both parties that I was now minded not to uphold this complaint. Mr C didn't agree and provided a number of points in response which I will address below.

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.

Having done so, I'm not going to uphold this complaint. I appreciate that this will be disappointing for Mr C.

I've read everything that the parties have said, but I'll concentrate my comments on what I think is relevant. If I don't comment on a specific point it's not because I've failed to consider it, but because I don't think I need to comment in order to reach a fair and reasonable outcome. And our rules allow me to do this. This reflects the nature of our service as a free and informal alternative to the courts.

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. I have used this approach to help me decide Mr C's complaint.

Virgin Money needed to make sure it lent responsibly to Mr C. It therefore needed to complete sufficient checks to determine if Mr C could afford to sustainably repay the lending. Our website sets out our approach to what we typically think when deciding if a lender's checks were proportionate. There is no set list of checks a lender should do, but there is guidance on the types of checks a lender could complete. However, these checks needed to be proportionate when considering things like the amount and term of the lending, what the lender already knew about the consumer, etc.

Turning to the November 2015 credit card and limit increase in August 2017, in my provisional decision I said:

> *Virgin Money has provided limited information about the checks completed and what the results revealed. This isn't unreasonable given how long ago the events in question took place. However, I've therefore needed to consider what I think reasonable and proportionate checks would have been and what it's most likely these checks would have revealed. Mr C has given us his bank statements from the time and in the absence of anything else I think it's reasonable to rely on some of the information in these as a fair indication of what proportionate checks would have most likely revealed.*
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> *Turning to the granting of the initial £9,000 limit, I would have expected Virgin Money to have gained some insight into Mr C's actual income and expenditure given this is quite a substantial initial limit to have granted. And when it increased this to £14,000 in August 2017, I again think it should have gathered this type of information before determining whether or not Mr C could have afforded to sustainably repay the limit being given.*
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> *In relation to the initial limit, our investigator concluded Mr C was earning around £1,370 net per month in the months leading up to this credit card being agreed. They also concluded that Mr C had similar level of expenditure, leaving minimal disposable income to repay this credit card. However, as Virgin Money highlighted and from what I can see on his statements, Mr C was actually earning on average around £1,800 net per month (plus some child benefits).*
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> *I've considered his average regular expenditure in the months leading up to this credit card being given. Having considered the regular expenditure and payments towards existing credit, I think this left sufficient disposable income to repay this credit card. Whilst I've considered his credit file, this doesn't go back to the time this credit card was issued. However, his current account statements also don't suggest to me Mr C was demonstrating signs he was struggling financially, so I can't say his credit file was more likely than not to have shown Mr C had recent problems managing his money.*
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> *I'm also mindful that the relevant rules and guidance require lenders in these circumstances to consider what the repayments would be over a reasonable period of time, given the limit agreed. And I think it's reasonable to expect a limit like this would be repaid over a longer period of time. So taking everything*

into consideration, I think Virgin Money made a fair lending decision when agreeing the initial credit card limit.

Turning to the August 2017 limit increase to £14,000, this presents some challenges about what proportionate checks would have most likely uncovered. Mr C's circumstances have understandably changed in the intervening years since the initial application. I have looked again at Mr C's statements in the months leading up to this increase. I think it's important to highlight these suggest Mr C had limited existing credit as I can only see some credit card repayments and a catalogue account repayment. I've also not been provided with evidence to suggest Mr C had adverse information on his credit file at the time. From everything Mr C has said it seems this came at a later point. So the evidence I have doesn't suggest he was over indebted at this time. The bank statements he has provided also don't suggest he was struggling financially. For example, I can't see consistent evidence he was struggling to pay his regular expenditure or consistently overdrawn.

Looking at his regular expenditure for bills and living costs, I can see that on average he is spending a similar amount to the income coming into the account. This suggests he would have problems repaying additional credit. However, Mr C has said he had three accounts. These were what appears to be his primary bank account where he received his salary (I'll refer to as "Account A"). A joint account which he transferred money after being paid to repay his bills (I'll refer to as "Account B") which were around £700 per month. And a third account which was a savings account. Mr C said he transferred money across to this account and gradually transferred it back for living costs. (I'll refer to as "Account C"). Mr C has provided statements for Accounts A and B but has said he is unable to provide them for Account C.

However, I can also see another account which is in Mr C's name, which he is transferring money in and out of Account A. (I'll call this "Account D"). The volume of the transfers in and out of the account to and from both Accounts C and D make it very difficult to estimate with any degree of accuracy what Mr C's regular expenditure was. Or, what if any, assistance he was receiving towards regular expenditure. The transfers in, on average seem to exceed the total transfers out. I appreciate this could simply be down to monthly variations on expenditure but without more information about these two accounts, it's difficult to reach a firm finding on Mr C's regular expenditure. Furthermore, I can see some cash deposits. In June there were three which totalled £480 and in July there were two which totalled £750. And so, taking all of this into consideration, I'm just not persuaded that I have sufficient evidence to conclude that if Virgin Money had completed proportionate checks, this would have suggested Mr C couldn't have afforded to sustainably repay this limit increase. So I don't intent to uphold this aspect of Mr C's complaint.

In response Mr C accepted my provisional decision, however he did clarify that some of the cash deposits may have been from gambling proceeds. Virgin Money didn't provide a response to the above findings.

Whilst I appreciate Mr C clarifying the cash deposits, I'm still not persuaded I have sufficient information about Mr C's financial circumstances to conclude what his regular expenditure was. I therefore can't conclude that proportionate checks would have most likely suggested the August 2017 limit increase was unaffordable for him. So for the reasons explained above, I don't uphold Mr C's complaint about the initial credit card or limit increase.

Turning to the November 2021 limit increase as explained in my provisional decision I said:

"Before agreeing this credit card, Virgin Money completed a credit search. It also asked Mr C for details of his employment and income. Mr C declared an income of £40,000, which it verified using account turnover information. And he declared household income of £20,000. During the application Mr C declared that he was a tenant, and his rent was £725 per month. From his credit search results Virgin money could see that Mr C had £37,204 in unsecured debt and it estimated his monthly repayments totalled just under £1,150 per month towards that debt.

When Virgin Money estimated Mr C's regular expenditure it found that he had around -£190 in disposable income. Therefore, it estimated that he couldn't afford his current living expenses, together with payments towards existing credit commitments, before considering the additional credit he was applying for. And so he clearly wouldn't have been able to afford any additional borrowing. However, as explained above, Mr C declared additional household income. Virgin Money found Mr C had a financial association when completing a credit search, so they thought it was reasonable to include the household income in its assessment. Virgin Money also pointed out that under the Consumer Credit Sourcebook (CONC) (in the Financial Conduct Authority's (FCA) handbook which sets out the rules surrounding lending) CONC allows lenders to take into consideration household income when making a lending decision.

I agree, as Virgin Money has stated, that under CONC it is allowed to consider additional household income. And I can see Virgin Money calculated additional household income per month of around £1,440 net. However, if Virgin Money is going to do this, CONC also requires it to consider the other person's non-discretionary expenditure as part of a creditworthiness assessment.

To allow for this Virgin Money increased the estimated monthly expenditure from £893 for Mr C alone, to £1,275 for two people. I do accept that certain expenditure isn't going to increase significantly when two people share a household, so I wouldn't expect Virgin Money to simply double the expenditure estimation to account for another person. However, even taking this into consideration, this increase does seem quite low when considering additional costs for food, some increase in utility bills, mobile phone etc."

In my provisional decision I went on to say that Virgin Money also needed to take into consideration additional regular financial commitments the additional household income would be required to pay. As explained above, in response Virgin Money has provided evidence to show that it did take into consideration Mr C's ex-partner's regular financial commitments. It has said it gathered this at the time using credit bureau information, and the results showed they didn't have any financial commitments. So it appears this key area of expenditure was explored by Virgin Money.

Taking everything into consideration, I'm still not entirely persuaded by the estimated regular expenditure amounts (excluding credit commitments) which Virgin Money relied on. I think the amounts relied on are quite conservative and I'm also mindful that Mr C was also quite heavily indebted at the time. However, I also don't have persuasive evidence as to what the accurate picture would have been. Previously Mr C has said his ex-partner was heavily indebted and this information would have indicated the credit card wouldn't have been affordable. However, as the evidence now suggests that Mr C's then partner didn't have existing financial commitments at the time, I'm not persuaded I can safely say that proportionate checks should have suggested that Mr C couldn't have afforded to repay this credit card. So I can't uphold this complaint.

Mr C also disputed having a financial association on his credit file. A financial association can occur by having some form of shared financial agreement. This could occur through joint credit, but it could also occur through having a joint bank account. Mr C has said he shared a bank account with his ex-partner so it seems reasonable that a financial association was held.

Mr C has also argued it's not reasonable to rely on information about additional household income. As I've explained, the relevant rules and regulations allowed Virgin Money to consider the information Mr C has declared about additional household. I don't know if Virgin Money completed additional verification on this amount, but I don't agree it was an assumption of Virgin Money to rely on it (as Mr C has said). Mr C declared this as additional household income as part of his lending application and, as Virgin Money has said, a financial association was found. So taking everything into consideration, I think it was reasonable for Virgin Money to rely on it.

To summarise, whilst I don't think Virgin Money completed proportionate checks before agreeing this credit card, I don't have sufficient evidence to show what these checks would have uncovered. I appreciate what Mr C has said about his wider family circumstances. However, I'm afraid that given I don't have clearer information about the regular household expenditure (such that I think would have been proportionate for Virgin Money to have uncovered), I can't say proportionate checks would have shown the credit card was unaffordable for Mr C.

My final decision

For the reasons explained, I don't uphold this complaint against Clydesdale Bank Plc trading as Virgin Money.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 10 October 2025.

Claire Lisle
Ombudsman