

The complaint

Miss W complains that Clydesdale Bank trading as Virgin Money (Virgin Money) didn't sufficiently check whether she could afford the repayments before they agreed to lend to her.

What happened

In October 2023 Miss W applied for a credit card with Virgin Money. Miss W's application was successful and Virgin Money issued her with a credit card with a credit limit of £3,900. The credit card was offered with a promotional rate of 0% for money transfers. And Miss W in her application said she wanted to make a £900 money transfer. Miss W said she struggled with her mental well being from 2022 onwards, which had caused impulse spending, anxiety and depression. She said this had affected her ability to work and led to spiralling debt and a gambling addiction. Miss W complained to Virgin Money as she said they'd failed to properly check whether she could sustain the repayments before they agreed to lend to her.

Virgin Money said their checks had been reasonable and proportionate. They said their checks showed Miss W should have been able to sustain the repayments, and they didn't see any signs of financial vulnerability.

Miss W wasn't happy with Virgin Money's response and referred her complaint to us.

Our investigator said Virgin Money had based their affordability checks on Miss W's household income, and that they should have checked Miss W's financial situation further. She said had they done so they would have seen the lending wasn't affordable. She asked Virgin Money to put things right.

Virgin Money didn't agree. They said Miss W hadn't been truthful in her application about her income. And had used the promotional offer. Miss W hadn't told them of any financial difficulties added to which she'd settled her account within a year. They asked for an ombudsman to decide.

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 upholding this complaint. I'll explain why.

We've set out our general approach to complaints about unaffordable and irresponsible lending - including the key relevant rules, guidance and good industry practice - on our website and I've taken that into account when I have considered Miss W's complaint.

I've considered the relevant rules and guidance on responsible lending set by the regulator, laid out in the consumer credit handbook (CONC). In summary, these say that before Virgin Money offered the credit, they needed to complete reasonable and proportionate checks to be satisfied Miss W would be able to repay the debt in a sustainable way.

I've looked at the information Virgin Money obtained during the application process. Miss W applied for the credit card solely in her name. She said she'd an annual income of £39,500, mortgage repayments of £397 and that she wanted to use the promotional offer of 0% interest to make a money transfer of £900. I can also see Miss W said there was a household income of £94,500. From Virgin Money's records I can see the credit card was approved based on the household rather than Miss W's own credit worthiness.

The relevant regulations say lenders can use income from another person, insofar as it's reasonable to expect such income to be available to the borrower to make repayments under the credit. But I can't see that Virgin Money checked whether this would be the case. Virgin Money said they checked the household income through a current account turnover check. And they'd also assessed the households' outgoings. Their records show they based their assessment on the household income as their credit bureau check showed there was a financial association.

Whilst I understand there are provisions that mean Virgin Money can use household income, where the borrowing is dependent on that additional income. But Miss W applied for the credit card in her own right so I'd expect Virgin Money to get a clear picture of the consumer's current income, as well as an assessment of their outgoings to determine whether the consumer could sustain the repayments for the lifetime of the credit card by themselves before considering the affordability based on whether the household income was available. I'm not persuaded Virgin Money did this, as their assessment only shows checks based on the household.

Also, the information Virgin Money obtained during the application process ought to have caused them to check further as I can see these checks showed there was unsecured debt of £38,693, which would be equivalent to Miss W's declared income. And the debt-to-income ratio shown for the household was 48%, I can also see that there had been a missed payment in the six months prior to the application.

So, taking all of this into account I don't think Virgin Money's checks were reasonable and proportionate. This doesn't automatically mean Virgin Money shouldn't have lent to Miss W only that I think they should have checked further into Miss W's finances. I wouldn't generally expect a lender to obtain bank statements but for our purposes these provide us with a good understanding of Miss W's income and expenditure.

Miss W has provided her bank statements for the three months prior to the credit being approved. And I think had Virgin Money had sight of these bank statements they wouldn't have lent to her.

Miss W has said she was struggling to work due to health issues, and this is reflected in the salary paid into her bank account. At the end of June 2023 Miss W's salary was around £1,600 but her salary dropped considerably in the relevant months. In July 2023 her salary was £869.29, August 2023 £657.02 and September 2023 £639.89, so an average monthly income of around £722. Miss W also received a monthly benefit payment of £96.

I can see Miss W had standing orders and direct debits set up for her non-discretionary outgoings for the beginning of each month. For July and August 2023 these averaged around £890 (more than Miss W's income at this time). By September 2023 the standing orders and direct debits were no longer visible on Miss W's bank statements. Also, Miss W was persistently using her overdraft.

Miss W has told us that her health issues began around 2022 and caused compulsive spending. And that she began to gamble and used the credit available to her to fund her gambling transactions. And I can see this activity reflected in Miss W's bank statements. In

July 2023 Miss W's gambling activity was around £1,500, in August 2023 this had increased to around £3,400 and in September 2023 it was around £3,600.

While I can see Miss W also received payments resulting from these transactions overall on balance her outgoings exceeded her winnings by on average around £1,200 a month, again more than any salaried or other income she had from her benefits. I'd say the gambling activity was of a compulsive nature as Miss W gambled daily and persistently even when her account was already overdrawn. And she was no longer able to meet her non-discretionary commitments as she'd previously done.

I can see from Miss W's credit card statement that in the first month (October 2023) of having the credit card she made five money transfers totalling £3,880 (there was also the additional money transfer fees that totalled £155.20). I can see the money transfers were paid into Miss W's bank account and these helped fund her gambling activity.

So, I'm satisfied if Virgin Money had carried out further checks, they would have seen Miss W was financially vulnerable and unlikely to be able to sustain the repayments.

I've also considered whether Virgin Money acted unfairly or unreasonably in some other way given what Miss W has complained about, including whether their relationship with her might have been viewed as unfair by a court under Section 140A Consumer Credit Act 1974. But I'm satisfied the redress I've directed below results in fair compensation for Miss W 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.

Putting things right

I can see Miss W with the help of family has settled her credit card account. Although she has paid back what she owed as I don't think Virgin Money should have lent to her, I don't think it's fair she should have incurred any interest and fees.

My final decision

I uphold this complaint. And ask Clydesdale Bank Plc trading as Virgin Money to:

- Rework the account removing all interest, fees, charges and insurances (not already refunded) that have been applied since inception.
- If the rework results in a credit balance, this should be refunded to Miss W 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 W's credit file. Or,
- If after the rework there is any outstanding balance, Virgin Money should arrange an affordable repayment plan with Miss W for the remaining amount. Once Miss W has cleared the balance, any adverse information in relation to the account should be removed from her credit file.

*His Majesty's Revenue & Customs requires Virgin Money to deduct tax from any award of interest. It must give Miss W a certificate showing how much tax has been taken off if she asks for one. If they intend to apply the refund to reduce an outstanding balance, they must do so after deducting the tax.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 29 October 2025.

Anne Scarr
Ombudsman