

The complaint

Mrs M complains that Clydesdale Bank Plc trading as Virgin Money irresponsibly lent to her.

What happened

Mrs M was approved for a Virgin Money credit card in February 2019, with a £11,900 credit limit. Mrs M says that Virgin Money irresponsibly lent to her, and she made a complaint to them. Virgin Money did not uphold Mrs M's complaint. They said based on their assessment, an appropriate and affordable credit limit was assigned. Mrs M brought her complaint to our service.

Our investigator upheld Mrs M's complaint. She said that she didn't think it was fair for Virgin Money to use household income as only Mrs M was responsible for repaying the Virgin Money credit card, and based on what further checks would have shown, the repayments for the £11,900 credit limit would be unaffordable for Mrs M.

Virgin Money asked for an ombudsman to review the complaint. They said that as Mrs M had a financial associate, then it was reasonable to expect the household finances to be managed together. They said that Mrs M's account summary supports her being able to make payments to the account.

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've considered what Virgin Money have said about how Mrs M managed the account. However, they would only know this with hindsight, as her management of the account was after the checks they completed for the £11,900 credit limit.

Before agreeing to approve the credit available to Mrs M, 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.

The information showed that Mrs M had no County Court Judgements (CCJ's) or defaults being reported by the Credit Reference Agency (CRA), and no accounts in arrears at the time of the checks. So they were aware of her financial history.

Mrs M declared a gross annual income of £47,857. The CRA informed Virgin Money that Mrs M had unsecured debt of £18,228 which £16,375 was for revolving debt (such as any credit cards/store cards/overdrafts she had). The remaining £1,853 was for non-revolving debt (such as personal loans/hire purchase agreements etc).

Virgin Money completed an affordability assessment for Mrs M. But Mrs M was showing as having a financial associate, so Virgin Money completed a household affordability assessment to see if Mrs M would be able to afford repayments for the £11,900 credit limit.

I'm persuaded that it was fair for Virgin Money to expect Mrs M wouldn't pay all of the household outgoings, and this is why it would be fair to consider what her financial associate would be paying also towards the outgoings. While her financial associate wouldn't be responsible for paying any of the repayments on the Virgin Money credit card, it wouldn't be fair to include outgoings that Mrs M wouldn't be paying towards her expenditure.

But I do think it would have been proportionate for Virgin Money to have completed further checks here. I say this because Mrs M had a debt to gross annual income ratio of 38%. While I note that Mrs M intended to complete a balance transfer(s) to the Virgin Money credit card, her revolving balances were higher than the credit limit, so her debt to income would increase further. The balance transfer was for less than a third of the proposed credit limit.

The £11,900 credit limit was almost 25% of Mrs M's declared gross annual income. So unless Mrs M actually reduced her credit limits on her other credit cards or paid these balances off and closed those accounts, she would still have access to that credit elsewhere.

Mrs M's income was a lot different to her financial associate's income. She declared she earned more than five times her husband, so if she paid five times his outgoings, then she may not have the affordability to make sustainable repayments for a £11,900 credit limit. I also note that Virgin Money didn't ask Mrs M about any dependents, which may have affected the affordability figures. So based on the amount of credit being approved without Mrs M indicating she was transferring the majority of the credit limit to pay off balances, and the disparity in pay between her financial associate, then I'm persuaded that Virgin Money should have completed further checks here.

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 Mrs M to ask her how the bills were split, and to ensure she could make sustainable and affordable repayments for the credit limit provided. 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.

Mrs M has provided her bank statements leading up to this lending decision. I've viewed these for two different accounts that Mrs M had at the time to get a fuller picture of her financial circumstances prior to the Virgin Money credit card being approved.

The account statements show Mrs M's sole name. She sometimes has credits into the account from her husband for bills, but these are not showing on every statement of the three months statements which I viewed, and the amount was for a fraction of Mrs M's net income. Mrs M has explained to our investigator that this was because her husband was in and out of work. So the income Mrs M declared for her husband could still be correct based on what she expected him to earn over the coming year.

Mrs M's statements show child benefit credits, and it's clear she has dependents which she needs to spend some of her outgoings on, which Virgin Money wouldn't have been aware of as the data shows they didn't ask her about her financial dependents. Mrs M has a secondary bank account with a £500 arranged overdraft limit which is constantly overdrawn and sometimes goes close to the overdraft limit.

But using an arranged overdraft in its own right does not mean that further lending would be unaffordable for Mrs M. Her main account statements show she has a £5,000 arranged overdraft limit. Mrs M is often four figures overdrawn (albeit she stays within her arranged

overdraft limit).

I've considered that the balance transfer(s) could save Mrs M some interest, and in theory lower her outgoings, but the evidence shows she was already having financial difficulty at this point, and I'm not persuaded that she could afford sustainable repayments for a £11,900 credit limit. So I'm not persuaded that Virgin Money made a fair lending decision here.

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 Mrs M 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

Our investigator has suggested that Virgin Money takes the actions detailed below, which I think is reasonable in the circumstances. In addition to this, if Virgin Money do not own the debt anymore for the account, then they should also 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.

My final decision

I uphold this complaint. Clydesdale Bank Plc trading as Virgin Money should take the following actions:

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;

Rework the account removing all interest, fees, charges, and insurances (not already refunded) that have been applied;

If the rework results in a credit balance, this should be refunded to Mrs M 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 Mrs M's credit file;

Or, if after the rework there is still an outstanding balance, Virgin Money should arrange an affordable repayment plan with Mrs M for the remaining amount. Once Mrs M has cleared the balance, any adverse information in relation to the account should be removed from Mrs M's credit file.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 13 November 2025.

Gregory Sloanes
Ombudsman