

The complaint

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

What happened

Miss F was approved for a Virgin Money credit card in January 2023, with a £3,700 credit limit. The credit limit was increased to £7,400 in February 2024. Miss F says that Virgin Money irresponsibly lent to her, and she made a complaint to them.

Virgin Money did not uphold Miss F's complaint. They said based on their assessments, appropriate and affordable credit limits were assigned. Miss F brought her complaint to our service.

Our investigator partially upheld Miss F's complaint. He said that Virgin Money's checks for the initial credit limit were fair, but for the credit limit increase, Virgin Money should have completed further checks. He said further lending checks would have shown the credit limit increase was not affordable for Miss F.

Virgin Money asked for an ombudsman to review the complaint. They said the bank statements Miss F supplied did not show her full financial position, as they did not display her income and she told them she had an account with a different bank. Virgin Money said that prior to the credit limit increase Miss F had a zero outstanding balance on her card with them, and she made a significant repayment of £3,000 in April 2024.

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.

Before agreeing to approve or increase the credit available to Miss F, 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 the Virgin Money credit card

I'll address the credit limit increase in the next section. The checks for the £3,700 credit limit showed information from a Credit Reference Agency (CRA). They reported that Miss F 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 F declared a gross annual income of £37,500, and she declared she was employed. Virgin Money calculated Miss F's net monthly income to be around £2,460 a month. The CRA informed Virgin Money that Miss F had unsecured debt of £25,724 which £820 was for

revolving debt (such as any credit cards/store cards/overdrafts she had). The remaining £24,904 was for non-revolving debt (such as personal loans/hire purchase agreements etc).

Virgin Money completed an affordability assessment for Miss F, using information from the CRA and modelling, which showed the £3,700 credit limit would be affordable for Miss F. But the figure Virgin Money used for Miss F's mortgage/rent repayment was £301 a month, as opposed to the £700 a month figure Miss F declared.

I'm aware that Virgin Money will consider only what is known at the bureau from Miss F (unless no mortgage is present), but there is a large disparity between the £700 that Miss F told Virgin Money regarding her mortgage/rent repayment and the £301 that Virgin Money used – a £399 a month difference. So the actual disposable income for Miss F could be a lot lower than what Virgin Money thought it may be.

So I'm persuaded that Virgin Money should have completed further checks to find out why Miss F would declare a mortgage/rent payment more than double what the CRA told them. 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 F to ask her what her actual mortgage/rent monthly repayment was.

So I asked Miss F what her mortgage/rent repayment was. Miss F told me that she is part of a shared ownership housing scheme, therefore she pays a mortgage for the 40% of the property that she owns, and she pays rent on the 60% that the housing association own.

So if Virgin Money would have made further checks, they would have known Miss F would have a lot less disposable income than they estimated. Therefore I'm persuaded that it would have been proportionate for them to complete further checks to ensure the lending would be affordable and sustainable for Miss F.

Again, 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 F to ask her to provide her bank statements as part of a proportionate check to ensure the lending was sustainable and affordable for her.

Miss F has provided account statements for three accounts leading up to this lending decision. One of the accounts is a regular saver. Miss F makes transfers to this account, but she often transfers the money she's credited back out of the account by the end of the month, so I've discounted this account.

Miss F has another account which is a secondary bank account that her mortgage and rent payments are made from. While this does not display the account holder(s) name, I have no doubt based on the transactions that it appears to be a sole account for Miss F. The account appears to be in a constant arranged overdraft. But having an overdraft in its own right does not mean that Miss F would not be able to afford sustainable repayments for a £3,700 credit limit.

The statements make no reference of Miss F entering an unarranged overdraft leading up to this lending decision, and I couldn't locate any returned/unpaid direct debits from her secondary account.

Miss F's statements where her salary credits her account show that as a minimum for the three month period I looked at, that her salary was for at least £2,775 a month. The other two months showed credits of over £3,000. So although Virgin Money underestimated Miss F's mortgage/rent payments by over £300, this appears to be largely offset by Virgin Money underestimating her net income.

Two of Miss F's statements show large transfers for what appears to be an external savings account (I don't have the separate statements for the external savings account). On 26 September 2022 Miss F transfers £500 to the external savings account. On 20 October 2022 she transfers £600 to the same account. While there was no large transfer the following month, I note that she made a large purchase of £429 on 1 December 2022.

I have not requested the statements for the external savings account as it would not be proportionate to do so here. There were no obvious indicators that Miss F was transferring this money back to another account like she was for her regular saver account. And as she had disposable income for non-priority expenditure, if Virgin Money had requested her bank statements as part of a proportionate check, then I'm persuaded that they still would have approved the account with a £3,700 credit limit as it would appear the repayments would be affordable and sustainable for Miss F. So I'm persuaded that Virgin Money made a fair lending decision here.

February 2024 credit limit increase - £3,700 to £7,400

I've considered what Virgin Money have said about Miss F making a large repayment in April 2024. But as this was after the lending checks, Virgin Money would have not been aware of this when they made their checks for this lending decision.

The CRA reported that Miss F's total unsecured debt level was £29,248, which was higher than what it was when the account opening checks were completed. So although Miss F may have had a £0 outstanding balance on her account leading up to this lending decision, it is likely she moved the debt to another lender. I say this as the repayment made around November 2023 was for more than what her net monthly income was at the last lending decision.

Virgin Money would have been able to see how Miss F had used her Virgin Money credit card since it had been opened. I can see that Miss F incurred no late or overlimit fees since it had been opened.

Virgin Money did not appear to complete an affordability assessment for this lending decision. So due to the increase of the unsecured debt, and the fact that the credit here was doubling, then I'm persuaded that Virgin Money should have completed further checks to ensure that the lending was affordable and sustainable for Miss F.

As I mentioned in the previous section, 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 F to find out why her unsecured lending had increased since the last lending decision. 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 F has provided her bank statements leading up to this lending decision for three accounts. As with the last lending decision, I've disregarded the regular savings account as the credits and debits are largely the same.

Miss F's salary appears that it was lower than what it was in the previous year. I say this as the highest of the three credit amounts that I viewed was for £2,943.46 on two statements, but only £2,657.56 on the other statement.

Miss F's secondary bank account was again in an arranged overdraft for the majority of the timeframe I looked at. The statement shows that on 8 November 2023 she had a loan of £7,000 credit her account. She did use some of this loan to pay off her outstanding Virgin Money credit card balance, so this wasn't paid out of her normal income. So I need to be

satisfied that Miss F could meet repayments for a £7,400 credit limit from a sustainable source of income.

The CRA did report an increase to Miss F's monthly non-revolving commitments after she took out the loan. But Miss F's main bank account showed she also made monthly transfers to an external account (which I don't have the statements for). The transfers were for £400 in one month, and £150 in the other two months for savings.

As these amounts were smaller than before, Miss F recently took out a large loan, and the credit limit was doubling, I am persuaded it would be proportionate to check to see whether Miss F was able to save on a regular basis here, or whether she was transferring the money back to another bank account of hers. So I asked Miss F if she could provide these statements.

Miss F has provided me with additional savings statements from another account. But the money she transfers into the account is transferred back out of the account. The account had a balance of £7.86 on 22 January 2024 only due to interest being credited to the account. So I'm not persuaded that Miss F was saving regularly which she could have used these payments to meet repayments on the Virgin Money credit card for the credit limit increase.

So after viewing a number of statements for a number of different accounts for Miss F, I'm not persuaded that she could make affordable and sustainable repayments for the credit limit increase. And 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 Miss F 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 in part. 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 to balances above £3,700 after 1 February 2024;

If the rework results in a credit balance, this should be refunded to Miss F 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 F's credit file recorded after 1 February 2024;

Or, if after the rework the outstanding balance still exceeds £3,700, Virgin Money should arrange an affordable repayment plan with Miss F for the remaining amount. Once Miss F has cleared the balance, any adverse information recorded after 1 February 2024 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 F how much they've taken off. They should also give Miss F 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 Miss F to accept or reject my decision before 6 November 2025.

Gregory Sloanes
Ombudsman