DRN-5888191

## The complaint

Mrs G complains that Clydesdale Bank Plc trading as Virgin Money (Virgin Money) irresponsibly lent to her, when she was provided with an increase to her credit limit on a credit card.

## What happened

Mrs G applied for a Virgin Money credit card, and this was issued with a £3,700 credit limit in September 2021. In June 2022, Virgin Money increased the credit limit, taking the total to £7,400.

Mrs G raised a complaint with Virgin Money, stating her belief it had been irresponsible in lending to her. Virgin Money rejected the complaint on the basis it had used a combination of factors when reviewing her application. The decision to approve the application was made using the details provided by Mrs G, and information held with the Credit Reference Agencies (CRAs) about the management of her other accounts. These were then reviewed alongside the lending criteria at the time, and based upon its assessment, an appropriate and affordable credit limit was assigned. Virgin Money also said that at the time of the application there was nothing provided by Mrs G, or in their validation of the information, which indicated financial difficulties when the account was opened. Virgin Money further stated it had reviewed the credit limit increase and there were no concerns for affordability at the time it was approved.

Mrs G did not accept Virgin Money’s assessment of her complaint and referred the matter to the Financial Ombudsman Service. In her referral, Mrs G says Virgin Money increased the credit limit on her credit card from £3,700 to £7,400 without considering her circumstances as, at the time, she had a high level of credit. Shortly before the credit limit on the account was increased, she had taken a £10,000 loan, and she already had two other credit cards with other providers, and two store card accounts, which were all close to their credit limits.

In addition, Mrs G stated she was only making minimum repayments on all of these credit accounts, and this should have warned Virgin Money she was struggling with her finances and it was irresponsible to provide further lending. By increasing the credit limit, Virgin Money made her financial position worse. Mrs G is concerned that Virgin Money have stated they used her combined annual household income when determining affordability of the credit limit increase. However, she states that she repays her debts independently, solely from her own salary, and therefore this had no bearing on the affordability of the limit increase.

An Investigator here highlighted that Mrs G had only raised the issue of the credit limit increase with the Financial Ombudsman Service, so the initial sale of the credit card was not considered in their investigation.

In summary, the Investigator thought Virgin Money ought to have understood more about Mrs G's income and expenditure. Had it done so, they thought the checks would've revealed that Mrs G didn't have enough disposable income to support the borrowing.

Mrs G accepted this position, however Virgin Money did not, and raised a series of challenges relating to funds being received which didn't appear to originate from the accounts the customer had disclosed.

Virgin Money further disputed the Investigator's findings, stating that it had used a household affordability assessment in this case. Also, it noted that where the household income is considered, the expenditure of the financial associate is also included in the net disposable income calculation, and its strategy was reviewed and updated regularly, ensuring alignment with the relevant rules and guidance.

The Investigator's view remained unchanged, and as an agreement couldn't be reached, the case was passed to me 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've reached the same outcome as the Investigator. I'll explain my reasons why.

Firstly, I'd like to acknowledge both parties for providing detailed information throughout the investigation of this complaint. In addition, I'd like to thank Mrs G for sharing details of the difficulties she's encountered in relation to her finances and how this has impacted her.

We've explained how we investigate complaints about unaffordable and irresponsible lending on our website, and I've used this approach to help me decide Mrs G's complaint.

Mrs G has not raised any concerns regarding the original provision of the credit card; therefore, my decision will focus solely on whether it was appropriate for Virgin Money to increase the credit limit.

The rules and regulations in place at the time Virgin Money provided Mrs G with the additional credit, required it to conduct a reasonable and proportionate assessment of whether she could afford to repay the borrowing in a sustainable manner – often referred to as an affordability assessment.

The checks had to be focused on Mrs G. This means Virgin Money had to consider whether repaying the credit sustainably would cause difficulties or adverse consequences for Mrs G. So, it wasn't sufficient for Virgin Money to consider the likelihood of it getting the funds back or whether Mrs G's circumstances met its lending criteria, it had to consider if she could sustainably repay the borrowing. These checks had to be proportionate to the circumstances of the lending and be dependent on factors specific to Mrs G. These factors included her financial history, current situation and outlook, any indication of vulnerability or financial difficulty, the amount, type, and cost of the credit.

In this instance, the credit limit was being significantly increased to give a total available limit of £7,400 on this account. The CRA data shows that, at the time, Mrs G had unsecured debts of £15,270 and revolving debt of £3,509; this was an increase from when the credit card account was first opened. The evidence provided suggests Virgin Money didn't request any updated information in respect of Mrs G's income and expenditure and, as it was increasing her credit limit quite considerably, it ought to have understood more about her circumstances overall before doing so. Taking all this into consideration, I'm not persuaded the checks Virgin Money carried out were reasonable and proportionate, as Mrs G's level of indebtedness was increasing.

I have therefore considered what reasonable and proportionate checks would have likely shown, if Virgin Money had carried them out at the time. Mrs G has provided a number of bank statements relating to her sole account, and a joint account to which both account holders contributed, and from which household expenses were paid. I am also aware of a further account, into which Child Benefit payments were received. These funds were then directed to Mrs G's sole account, so for the purposes of considering her income and expenditure at the time, I am treating the Child Benefit payments as belonging solely to Mrs G.

I have considered the bank statements in the three months (March, April and May 2022) leading up to the credit limit increase, and calculated the average income and essential expenditure over this period. The joint statements demonstrate Mrs G and her partner sharing the common household expenses, with Mrs G making a monthly contribution to the account. Mrs G has stated that she sometimes needed to transfer money back from the joint account to supplement her sole account, and there is some limited evidence of this on the statements. The deposits into the joint account cover the household payments, with a small balance carried forward each month. I believe it is necessary to have such a buffer in a household account, to address fluctuating payments and unforeseen expenditure, and I don't believe this is indicative of surplus funds.

Moving to Mrs G's sole account, I have considered her income and essential expenditure to determine whether the potential increased borrowing was affordable. Taking into account her income, regular monthly contributions to the household account, her ongoing credit repayments, and other essential expenditure, the resulting disposable income was insufficient to meet the costs of the credit limit increase, whilst ensuring she had sufficient funds remaining to meet unforeseen circumstances or emergencies.

Virgin Money has argued that it was reasonable for it to consider the household income when approving the credit limit increase.

CONC 5.2A.12 R says:

> *"The firm must consider the customer's ability to make repayments under the agreement… out of, or using, one or more of the following:*
>
> > *(a) the customer's income.*
> >
> > *(b) income from savings or assets jointly held by the customer with another person, income received by the customer jointly with another person or income received by another person in so far as it is reasonable to expect such income to be available to the customer to make repayments under the agreement…"*

The joint current account activity shows Mrs G and her partner both contributed to their joint costs – such as mortgage payments, utilities, and household expenses – but it doesn't necessarily follow that this demonstrates the use of the joint household finances would extend to repaying the individual debts of the parties, or that there is agreement between them to service each other's debts. Indeed, Mrs G has stated that she was solely responsible for her debts, and I haven't seen anything to persuade me this wasn't the case. Therefore, I have concluded the additional lending was unaffordable.

So, taking all this into consideration, I believe in order to meet the requirement to conduct reasonable and proportionate checks, Virgin Money should have made further enquiries to determine that either Mrs G could manage the additional lending independently, or, that she could reasonably expect to be able to sustain the additional credit commitment from the joint household income and, if so, that the household income was sufficient to support the lending. In the absence of these checks, and having determined what these checks would likely have shown if they had been carried out, I don't believe it was fair to increase the credit limit on the account.

In reaching my conclusions, I've also considered whether the lending relationship between Virgin Money and Mrs G might have been unfair to Mrs G under Section 140A of the Consumer Credit Act 1974 ("CCA"). However, I'm satisfied that what I direct Virgin Money to do in the section below results in fair compensation for Mrs G given the overall circumstances of her complaint. For the reasons I've explained, I'm also satisfied that, based on what I've seen, no additional award is appropriate in this case.

**Putting things right**

As I have concluded Virgin Money shouldn't have increased Mrs G's credit limit above £3,700, I don't think it's fair for it to charge any interest or charges on any balances which exceeded that limit.

Mrs G has had the benefit of the money she spent on the account, so I think she should pay this back. Therefore, Virgin Money should:

Rework the account removing all interest, fees, charges, and insurances (not already refunded) that have been applied to balances above £3,700 after June 2022. If the rework results in a credit balance, this should be refunded to Mrs G, 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 recorded after June 2022 regarding this account from Mrs G's credit file.

Or, if after the rework the outstanding balance still exceeds £3,700, Virgin Money should arrange an affordable repayment plan with Mrs G for the remaining amount. Once Mrs G has cleared the outstanding balance, any adverse information recorded after June 2022 in relation to the account should be removed from her credit file.

If Virgin Money has sold the debt to a third party, it should arrange to either buy back the debt from the third party or liaise with them to ensure the redress set out above is carried out promptly.

*HM Revenue & Customs requires Virgin Money to deduct tax from any award of interest. It must give Mrs G a certificate showing how much tax has been taken off if she asks for one.

## My final decision

It follows that I'm upholding this complaint as I don't think Clydesdale Bank Plc trading as Virgin Money, lent to Mrs G responsibly when increasing the credit limit on the account and I direct it to settle matters in the way I've outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G to accept or reject my decision before 6 January 2026.

David Hilton
**Ombudsman**