

The complaint

Ms O complains that Clydesdale Bank Plc trading as Virgin Money irresponsibly lent to her.

What happened

Ms O was approved for a Virgin Money credit card in January 2022 (which I will refer to as A in this decision), with a £23,900 credit limit. She was approved for another Virgin Money credit card in April 2023 (which I will refer to as B in this decision), with a £25,000 credit limit. Ms O says that Virgin Money irresponsibly lent to her. Ms O made a complaint to Virgin Money, who did not uphold her complaint.

Virgin Money said that they were unable to agree they acted incorrectly as they deemed the accounts and limits to be appropriate at the time the accounts were being approved. Ms O brought her complaint to our service. Our investigator did not uphold Ms O's complaint. She said that Virgin Money should have completed further checks, but further checks would have shown the lending was sustainable and affordable for Ms O.

Ms O asked for an ombudsman to review her complaint. She made a number of points. In summary, she said that her income was irregular and unstable due to her being self-employed, she said repayments were made only through borrowing from other credit lines. Ms O said Virgin Money only assessed her affordability based on household income, and not her individual income.

Ms O said that Virgin Money did not complete proportionate checks, a reliance on the 0% promotional offer skewed affordability, B was approved when she was already around her credit limit on A, Virgin Money did not agree to a hold on her accounts whilst her complaint was being reviewed, and her bank statements showed state benefits, and it showed instability and government help.

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.

Firstly, I'm aware that I've only summarised Ms O's complaint points. And I'm not going to respond to every single point made by her. No discourtesy is intended by this. It simply reflects the informal nature of our service as a free alternative to the courts. If there's something I haven't mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual point to be able to reach what I think is a fair outcome.

I must make Ms O aware that Virgin Money are not required to place an account on hold when a complaint is made to them or brought to our service. So I can't fairly say that Virgin Money should have placed the accounts on hold due to her making a complaint.

Before agreeing to approve or increase the credit available to Ms O, 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 A

The information showed that Ms O 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.

Ms O declared a gross annual income of £75,000. The CRA informed Virgin Money that Ms O had unsecured debt of £74,839 which £10,255 was for revolving debt (such as any credit cards/store cards/overdrafts she had). The remaining £64,584 was for non-revolving debt (such as personal loans/hire purchase agreements etc).

Virgin Money completed an affordability assessment for Ms O. But Ms O was showing as having a financial associate, so Virgin Money completed a household affordability assessment to see if Ms O would be able to afford repayments for the £23,900 credit limit.

I'm persuaded that it was fair for Virgin Money to expect Ms O 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 Ms O wouldn't be paying towards household expenditure.

But I do think it would have been proportionate for Virgin Money to have completed further checks here. I say this because Ms O had a debt to gross annual income ratio of over 99.8%. I note that Ms O indicated she wanted to complete a balance transfer(s) to the Virgin Money credit card, but her debt to income ratio still would have increased even if she transferred the balances, she told Virgin Money she wanted to.

So based on the amount of credit being approved, with an already high debt to income ratio, and the level of credit commitments Ms O was also repaying (even after taking into account her balance transfer), then I'm persuaded that Virgin Money should have completed further checks here. I also note that the amount of balance transfers which was requested was higher than what her non-revolving balances were showing, which would suggest this outstanding balance had increased compared to Virgin Money's figures (albeit Virgin Money would only be aware of 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 Ms O 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.

Although Ms O has forwarded our service information about her tax, I'm not persuaded that it would have been proportionate for Virgin Money to ask her for proof of this. When A was approved this was late into the 2021/2022 tax year, so the last tax return would have been from 2020/2021, so the information may not be a true reflection of her current circumstances. It would be more proportionate to view her bank statements leading up to this lending decision.

Ms O said on her application form that she was employed, and not self employed, therefore Virgin Money would not ask for business bank statements as they would not be aware that

Ms O was self employed. In addition to this, business finances may not be reflective of an individual's finances.

Ms O has provided her bank statements leading up to this lending decision. I am persuaded that it would have become apparent to Virgin Money that Ms O would have been self employed if she had sent Virgin Money all of the different bank statements she sent our service.

I can see that Ms O did receive a state benefit into one of her accounts. But it's not clear if this was a state benefit for Ms O. I say this as the state benefit Ms O received into an account in December 2021 would not be paid if there were over £16,000 of savings, money or investments, and it would be reduced if she had more than £6,000 of savings, money or investments. Ms O has also sent us a statement from another bank in December 2021 which showed in her name she had a balance above £14,622 for December 2021, so I wouldn't expect this state benefit to be as high as what it was if this was in Ms O's name. And it appears at times in December 2021 her balances in her sole named accounts do go over £16,000 collectively.

But with this being said, even if Ms O was receiving this benefit in her own name, there is no regulation or requirement that Virgin Money have to exclude benefit income. One of Ms O's accounts shows a number of counter credits, of which she transfers some of these to her accounts in her sole name. They don't always credit her account then debit her account straight away. So if Virgin Money would have viewed all of the statements Ms O had sent to our service, it would appear to them that Ms O would have the affordability to make sustainable repayments after her priority bills had been repaid.

While Ms O's income may have fluctuated here, this would not be unusual for a self employed person. Ms O had estimated that her income for the year would be £75,000, and the statements she provided to our service don't suggest that she over-estimated her income.

Ms O was also intending to complete a balance transfer, but Virgin Money would need to consider that Ms O would be able to make repayments for this credit limit even once the promotional offer ended. Ms O did not enter an overdraft for the three month period I viewed in her sole personal accounts, and as I previously mentioned she had an account she forwarded our service which had over £14,622 in it, there were very few withdrawals debiting this account, so it didn't appear that Ms O was financially struggling at the time A was approved. And I couldn't find any credits to her account from loans/money transfers from other financial institutions leading up to the acceptance of A.

So while I'm persuaded that Virgin Money should have completed further checks here, I'm persuaded that it would appear that further checks would have shown that the lending was affordable and sustainable for Ms O, and it wouldn't have been proportionate to have made further checks based on what the bank statements showed that she forwarded to our service. So I'm persuaded that Virgin Money made a fair lending decision here.

Acceptance for B

I've considered what Ms O has said about her being close to her credit limit on A at the time B was approved, but it does not automatically follow that B shouldn't have been opened on this basis. This is because checks would need to be made to see if the repayments for B would be affordable and sustainable for Ms O.

The information again showed that Ms O had no CCJ's or defaults being reported by the CRA, and no accounts in arrears at the time of the checks. But the information also shows

no cash advances in the three months prior to B being approved. It also shows Ms O wasn't in arrears for the six months prior to the checks.

Ms O declared a gross annual income of £100,000. So it would appear that she was earning a lot more than what she was earning when A was approved, which could mean she was able to be able to make repayments for higher levels of debt.

The CRA informed Virgin Money that Ms O had unsecured debt of £85,607 which £31,644 was for revolving debt. The remaining £53,963 was for non-revolving debt. Virgin Money completed an affordability assessment for Ms O. This was not a household affordability assessment as it was just in Ms O's name.

But I do think it would have been proportionate for Virgin Money to have completed further checks here. I say this because Ms O had a debt to gross annual income ratio of over 85.6%, and while this was lower than her debt to income ratio when A was approved, the level of debt had increased since A was open. I note that Ms O indicated she wanted to complete a balance transfer(s) to the Virgin Money credit card, but her debt to income ratio still would have increased even if she transferred the balances, she told Virgin Money that she wanted to.

So based on the amount of credit being approved, with an already high debt to income ratio, and the level of credit commitments Ms O was also repaying (even after taking into account her balance transfer), and A still being open with an outstanding balance, then I'm persuaded that Virgin Money should have completed further checks here.

As I said 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 Ms O to ask her for her actual outgoings, 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.

Again I'm not persuaded that it would have been proportionate for Virgin Money to ask Ms O for proof of her tax returns. When B was approved this was the last day of the 2022/2023 tax year, and Ms O would have until 31 January 2024, to file her self assessment, so it wouldn't have been proportionate for them to pressurise Ms O (or her accountant) into completing this many months before it was due, and it also might not represent the following tax year activity.

Ms O again said on her application form that she was employed, and not self employed, therefore Virgin Money would not ask for business bank statements as they would not be aware that Ms O was self employed. In addition to this, business finances may not be reflective of an individual's finances.

Ms O has provided her bank statements leading up to this lending decision. I am persuaded that it would have become apparent to Virgin Money that Ms O would have been self employed if she had sent Virgin Money all of the different bank statements she sent our service.

Ms O did receive a state benefit into one of her accounts which was showing as being received in only two of the three months I viewed. But as I mentioned in the previous section, if Ms O was receiving this benefit in her own name, there is no regulation or requirement that Virgin Money have to exclude benefit income.

One of Ms O's accounts shows a number of counter credits, of which she transfers some of

these to her accounts in her sole name. They don't always credit her account then debit her account straight away. So if Virgin Money would have viewed all of the statements Ms O had sent to our service, it would appear to them that Ms O would have the affordability to make sustainable repayments to B after her priority bills had been repaid.

Ms O's statements also appeared to show a lot of overseas expenditure during the three month period, including non-priority spending, so it would appear to Virgin Money that Ms O had disposable income to make non-priority spending.

While Ms O's income may have fluctuated again, this would not be unusual for a self employed person. Ms O had estimated that her income for the year would be £100,000, and the statements she provided to our service don't suggest that she over-estimated her income.

Ms O was also intending to complete a balance transfer, but Virgin Money would need to consider that Ms O would be able to make repayments for this credit limit even once the promotional offer ended. Ms O did not enter an overdraft for the three month period I viewed for her sole personal accounts. And I couldn't find any credits to her account from loans/money transfers from other financial institutions leading up to the acceptance of B.

So while I'm persuaded that Virgin Money should have completed further checks here, I'm persuaded that it would appear that further checks would have shown that the lending was affordable and sustainable for Ms O, and it wouldn't have been proportionate to have made further checks based on what the bank statements showed that she forwarded to our service. So I'm 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, for the reasons I've already given, I can't conclude that Virgin Money lent irresponsibly to Ms O or otherwise treated her unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms O to accept or reject my decision before 31 December 2025.

Gregory Sloanes
Ombudsman