

The complaint

Miss W complains that Clydesdale Bank Plc trading as Virgin Money treated her unfairly when it agreed a credit card and subsequent limit increase.

What happened

In May 2022 Virgin Money agreed a credit card with a £6,500 limit. This was increased to £7,500 in March 2023.

Together with her representative, Miss W argues that Virgin Money lent irresponsibly to her. Miss W says that Virgin Money didn't complete proportionate checks before agreeing to lend to her and that it should have also done more when it agreed the limit increase.

Virgin Money considered the complaint but didn't agree. It said it completed proportionate checks and that based on the results of this, it was reasonable to lend.

Our investigator considered the complaint and upheld it. Virgin Money didn't agree and asked for an ombudsman to decide the complaint.

Virgin Money also agreed another credit card in September 2019 which the investigator considered in a separate assessment. The investigator didn't uphold this complaint and Miss W and her representatives didn't dispute this. So, this decision will only be considering the May 2022 and March 2023 lending decisions.

I issued a provisional decision setting out that I didn't intend to uphold this complaint. In my provisional decision, which forms part of this decision, I said:

The relevant rules which Virgin Money needed to follow are set out in the Financial Conduct Authority's (FCA) Handbook, Consumer Credit Sourcebook (CONC). Based on this, Virgin Money needed to make sure it lent responsibly to Miss W. It therefore needed to complete sufficient checks to determine if Miss W could afford to sustainably repay the lending.

Our website sets out our approach to what we typically think when deciding if a lender's checks were proportionate. There is no set list of checks a lender should do, but there is guidance on the types of checks a lender could complete. However, these checks needed to be proportionate when considering things like the amount and term of the lending, what the lender already knew about the consumer, etc.

The initial limit in May 2022

Before agreeing the initial credit card limit, Virgin Money completed a number of checks. It asked Miss W for details of her income and any household income, and it verified these declarations with CATO ("current account turnover") checks. It completed a credit search which confirmed a financial association and so it gathered information on household credit commitments. This means it considered the financial commitments of both Miss W and her financial associate. In addition, it estimated household essential expenditure.

When considering the checks Virgin Money completed and the type and amount of credit

being given (a £6,500 limit), I think it completed proportionate checks before lending. I'll now consider if, as a result of the information the checks revealed, it was reasonable to lend.

Miss W declared an individual income of £21,000 and a total household income (including her income) of £56,000. As explained above, Virgin Money took steps to verify these declarations. It calculated that the total net monthly income was £3,811 and estimated that the household spent approximately £1,251 on essential expenditure. In addition, the household had a monthly mortgage commitment of £508 and it estimated the household spent approximately £350 per month on existing credit commitments. This figure was calculated by looking at Miss W's existing credit commitments of £4,498 which was entirely made up of revolving credit. And it considered the additional household credit commitments which was a £18,784 which was almost entirely nonrevolving credit.

Furthermore, Virgin Money has highlighted that shortly after the account was opened Miss W completed a balance transfer of £5,312. The account in question offered an interest free promotional rate on balance transfers until early September 2024. So, it seems likely that she was able to use this account to consolidate existing debt to avoid paying interest on that sum.

Having considered the results of the checks completed, I think it was reasonable for Virgin Money to agree the initial limit. It took steps to estimate the household income and expenditure, including the regular financial commitments of both parties. And based on this, there was sufficient household disposable income to afford to repay this limit. I'm also mindful that the relevant rules and guidance require lenders in these circumstances to consider what the repayments would be over a reasonable period of time, given the limit agreed. And I think it's reasonable to expect a limit like this would be repaid over a longer period of time. Furthermore, Miss W's credit file didn't show recent problems managing her money such as CCJs or defaults. So, taking everything into consideration, I think Virgin Money made a fair lending decision when agreeing the initial limit.

I've noted Miss W's representative's argument that Virgin Money shouldn't assume that all of the remaining household income is available to repay the debt in question. I agree it isn't fair to only consider the household income without accounting for household expenditure. And CONC requires household expenditure to be considered if household income is relied on as part of a lending decision. However, I can see Virgin Money has considered the household expenditure when making its lending decision. I'm also mindful that Miss W declared the household income during the application and Virgin Money confirmed she had a financial association. So, I think it was reasonable for Virgin Money to rely on this when making its lending decision.

The limit increase in March 2023

Before agreeing the limit increase, Virgin Money considered the account activity prior to this and it completed a credit search. I would have also expected Virgin Money to take some steps to confirm Miss W's income to ensure she was still earning and so had means to repay the limit increase.

However, I can see from the information Miss W has provided that she was earning around £1,500 net per month. The existing credit in her name had reduced since the initial application and she now had £1,498 in existing credit of which £963 was revolving credit. Looking at the account activity since the initial limit was given, I can see Miss W repaid a large proportion of the balance in November 2022. From then Miss W makes a small number of purchases and has a balance of around £150 when the limit is increased.

Taking everything into consideration, whilst I don't think Virgin Money completed proportionate checks, had it done so, I think it would have been reasonable to lend. It's clear that at this time Miss W was still earning and the debt in her name had reduced significantly (by comparison to the previous application). There was also nothing concerning in the management of the account that makes me think this increase was inappropriate. Miss W had a very low balance on the account despite a current limit of £6,500 and there was nothing to suggest she's struggled to manage the account or was otherwise overindebted. I've taken into

consideration that Miss W had a relatively low income, but in the context of all the other information I have, I don't think it was unreasonable to agree this limit increase. So I think Virgin Money made a fair lending decision.

I've 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 don't think Virgin Money lent irresponsibly to Miss W or otherwise treated her unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

I asked both parties to provide me with anything further before I made a final decision. Neither party has provided anything further in response.

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 see no reason to depart from the findings reached in my provisional decision (which forms part of this decision). So, it follows that I don't uphold this complaint.

To summarise:

- In relation to the initial limit given in May 2022, I think that Virgin Money completed proportionate checks before agreeing to lend. And as a result of these checks, it was reasonable for it to agree that limit.
- Turning to the increase in March 2023, I don't think Virgin Money completed proportionate checks. As explained in my provisional decision I would have expected Virgin Money to have completed some checks to establish Miss W was earning (and therefore had some means available to repay the limit increase). However, had it gathered information about her income, together with everything else it knew about her, I think it was still reasonable to lend.

So I think that Virgin Money made fair lending decisions when agreeing the initial limit and subsequent increase.

My final decision

For the reasons explained above and in my provisional decision, I don't uphold this complaint against Clydesdale Bank Plc trading as Virgin Money.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 3 December 2025.

Claire Lisle
Ombudsman