

The complaint

Miss W complains that Clydesdale Bank Plc trading as Virgin Money (Clydesdale) acted irresponsibly in agreeing to lend to her.

In bringing her complaint Miss W is represented by a third party. For ease of reading I will only refer to Miss W in my decision.

What happened

In January 2019 Miss W applied for a revolving credit facility (credit card) with Clydesdale. Her application was successful, and Clydesdale issued her with a credit card with a credit limit of £4,200. The credit card account was settled and closed in March 2020. Around August 2022 Miss W applied for another credit card account with Clydesdale, again her application was successful, and Clydesdale issued her with a credit card with a credit limit of £2,400.

Miss W said she'd struggled to sustain her repayments. She complained to Clydesdale saying they hadn't properly checked her financial circumstances before they'd agreed to lend to her, and this had caused her financial struggles.

Clydesdale said their checks had been reasonable and proportionate. They said they'd checked Miss W's income and credit history using data from her application and credit reference agencies (CRA). Based on the checks they did for both credit cards they said Miss W should have had sufficient disposable income to sustain her repayments. Clydesdale said there weren't any signs of financial vulnerability and so their lending decision(s) were fair.

Miss W wasn't happy with Clydesdale's response and referred her complaint to us.

Our investigator said Clydesdale's checks were reasonable and proportionate. And that they'd acted fairly when lending to Miss W.

Miss W accepted our investigators outcome that her first credit card was affordable for her. But disputed the outcome for the second credit card saying the figures used by Clydesdale weren't reflective of her credit commitments. She asked for an ombudsman 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.

I appreciate my decision will disappoint Miss W but having done so I'm not upholding her complaint. I'll explain why.

Firstly, as Miss W has accepted our investigator's outcome for her first credit card, issued in January 2019, I won't comment further about this. In my decision I will only consider the credit card issued in August 2022 as Miss W disputes Clydesdale acted fairly in agreeing to lend to her.

I've considered the relevant rules and guidance on responsible lending set by the regulator, laid out in the consumer credit handbook (CONC). In summary, these say that before Clydesdale offered the credit facility they needed to complete reasonable and proportionate checks to be satisfied Miss W would be able to repay the debt in a sustainable way.

In deciding what was proportionate Clydesdale needed to consider things such as (but not limited to): the amount of credit, the size of any regular payments (taking into consideration the rules and guidance in CONC relating to assumptions concerning revolving credit), the cost of credit and the consumer's circumstances.

What's important to note is that Clydesdale provided Miss W with a revolving credit facility rather than a loan. Clydesdale was approving a credit limit of £2,400. As it was revolving credit there's no set amount that needed to be repaid each month, but CONC requires a firm to assume when carrying out their assessment that the entire credit limit is drawn down at the earliest opportunity and repaid in equal instalments over a reasonable period. So, I think Clydesdale could have reasonably assumed Miss W would need to be able to sustain a monthly repayment of around £120 to be able to clear this amount within a reasonable period.

While there isn't a set list of checks a lender must do, CONC says they must take reasonable steps to estimate a consumer's income and non-discretionary expenditure. It also says a lender generally shouldn't solely rely on a consumer's declared income but should check this using an independent source such as a CRA or third party. CONC also allows for the use of statistical data in determining a consumer's non-discretionary spending. I've considered the checks Clydesdale did, and what these checks showed.

Miss W declared she'd an annual income of £30,000. I can see Clydesdale checked this with a CRA using a Current Account Turn Over (CATO) check. This assessed Miss W as having a monthly salaried income of £2,017.04. From CRA data Clydesdale assessed Miss W's monthly credit commitments to be £741.25. And through statistical data supplied by the Office for National statistics (ONS) they assessed Miss W's essential spending to be £846.17. And based on these checks Clydesdale deemed the lending was affordable as Miss W should have had a disposable income before factoring in the new lending of £429.62. Clydesdale's checks didn't show any signs of financial vulnerability as there wasn't any evidence of county court judgments or defaults registered on Miss W's credit file.

Miss W said the credit commitments used by Clydesdale weren't reflective of her actual situation. She said she'd debt of around £16,000 and had recently taken on two high-cost loans. Having considered the CRA data used by Clydesdale I can see this showed Miss W had a revolving debt of £250, and a non-revolving debt of £15,545, in total £15,795. Which I'm satisfied is comparable to the amount Miss W said she owed.

Miss W has provided a breakdown of the debt she said she'd at the time of the new lending and for which she said her monthly commitments were around £1,362. Miss W has also provided her credit report, so I've considered this as I'd expect the data provided to Clydesdale to be comparable.

Miss W in her breakdown gave details about two loans, one repayable at £271 a month and another at £496.29 a month. I can see the loan which was repayable at £271 a month was entered into in early August 2022, the same month as Miss W applied for her credit card with Clydesdale. Being Clydesdale's checks were made in August 2022, the same month, I doubt this loan would have yet been recorded on Miss W's credit history as it usually takes around 30 days for new lending to be recorded. So, I can't hold Clydesdale accountable for something they wouldn't have seen.

The other loan Miss W refers to with monthly repayments of £496.29 wasn't entered into until September 2022, after Clydesdale had agreed to the credit facility. So, again this isn't something Clydesdale would have been aware of as their checks were done in August 2022. And I think the data provided to Clydesdale was reflective of Miss W's credit commitments at the time she applied for the credit card facility with them.

So, I'm satisfied the checks Clydesdale did were reasonable and proportionate for the type and amount of credit they were providing. And I don't think that there was anything immediately obvious in the information that they had, including Miss W's existing credit, which meant they shouldn't rely on it. So, I don't think Clydesdale needed to have asked Miss W to provide further evidence in support of her expenditure before providing her with a credit limit in this instance. And based on these checks I haven't seen any evidence to show Miss W wouldn't have been able to sustain the monthly repayments.

I've also considered whether Clydesdale acted unfairly or unreasonably in some other way given what Miss W has complained about, including whether their relationship with her might have been viewed as unfair by a court under Section 140A Consumer Credit Act 1974. But for the reasons I've already given, I don't think Clydesdale lent irresponsibly to Miss W or otherwise treated her unfairly. I haven't seen anything to suggest that s.140A or anything else would, given the facts of this complaint, lead to a different outcome here.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 10 December 2025.

Anne Scarr
Ombudsman