

## The complaint

Miss K complains that Clydesdale Bank Plc trading as Virgin Money lent irresponsibly when it approved her credit card application.

## What happened

The background to this complaint and my initial conclusions were set out in a provisional decision. I said:

*Miss K applied for a Virgin Money credit card in May 2020. In her application, Miss K said she was working full time with an income of £25,500. Miss K also said there was another income in the household of £29,000 making the household income a total of 54,500. The total net monthly income figure used by Virgin Money was £3,695. Virgin Money's explained it used a service provided by the credit reference agencies known as CATO to verify the income levels declared in the application.*

*A credit search was completed that found Miss K had a financial association with another party living at her address. The credit search showed Miss K and the other member of her household had existing unsecured debts of £17,577. Miss K confirmed she was a homeowner and was making monthly mortgage payments of £366 in the application. A joint mortgage was found with a monthly payment of £724 which was used in Virgin Money's affordability assessment. No adverse credit, defaults, cash advances or recent arrears were noted on Miss K's credit file.*

*Virgin Money carried out an affordability assessment using the household income provided in the application. Virgin Money's explained that when it takes that approach, it factors the other party's financial commitments into its lending assessment. In addition, regular outgoings were also assessed on a household basis. Virgin Money says it looked at both Miss K and her partner's credit commitments. And Virgin Money says it used an estimate of £1,204 a month for Miss K's total household general living expenses in addition to the joint mortgage payments of £724. After applying its lending criteria, Virgin Money calculated a household disposable income of £536 a month. Virgin money approved Miss K's application and issued a credit card with a limit of £4,000.*

*Miss K used her credit card but has explained that more recently she's struggled maintaining the payments. Miss K went on to complain that Virgin Money lent irresponsibly and it issued a final response. Virgin Money said it had carried out the relevant lending checks before approving Miss K's application and didn't agree it lent irresponsibly.*

*An investigator at this service upheld Miss K's complaint. The investigator thought the reliance on household income for a credit card that was solely in Miss K's name wasn't reasonable. So the investigator looked at Miss K's bank statements for the month before her application was approved. The investigator thought Miss K's bank statements showed she was earning less than the figure provided in the application and that a new credit card wasn't affordable. The investigator asked Virgin Money to refund all interest, fees and charges applied to Miss K's credit card.*

Virgin Money asked to appeal and said that the relevant lending rules allow it to take a household income into account when considering a credit card application. Virgin Money also pointed out the investigator had only reviewed one month's bank statement from before the credit card was approved. Virgin Money remained of the view it had carried out reasonable and proportionate checks before approving Miss K's application and asked to appeal. As a result, Miss K's case has been passed to me to make a decision.

### **What I've provisionally 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 lend, the rules say Virgin Money had to complete reasonable and proportionate checks to ensure Miss K could afford to repay the debt in a sustainable way. These affordability checks needed to be focused on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:

- The amount of credit;
- The total sum repayable and the size of regular repayments;
- The duration of the agreement;
- The costs of the credit; and
- The consumer's individual circumstances.

That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate. Lenders may choose to verify a borrower's income or obtain a more detailed picture of their circumstances by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.

I'm sorry to disappoint Miss K but I've reached a different conclusion to the investigator concerning whether Virgin Money lent irresponsibly. I know our investigator thought the decision to base a credit card application in Miss K's sole name on her household income and outgoings wasn't reasonable. But Virgin Money's explained it is allowed to take that approach under the relevant lending rules. The relevant rules for creditworthiness assessments are set out in the CONC section of the Financial Conduct Authority's (FCA's) handbook. CONC 5.2A.12 (2) (b) says:

The firm must consider the customer's ability to make repayments under the agreement:

1. (a) the customer's income;
2. (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...**

I've added the bold highlight to show the relevant section of the rule. Here, Virgin Money's explained it only uses a household income for lending purposes where there is a demonstrated financial association between the parties. And the credit file results obtained for Miss K showed a financial association with a joint mortgage holder. Virgin Money's confirmed that when it takes this approach it uses the total household debt, mortgage or housing costs and general living expenses in its lending assessment.

Given there was a financial association with another party on Miss K's credit file and she declared an additional household income that was validated via CATO, I think it was

*reasonable for Virgin Money to proceed with its lending assessment on a household basis. And, as noted above, that is an approach Virgin Money is allowed to take under the CONC lending rules.*

*Looking at the information Virgin Money obtained, I can see it took Miss K's household net monthly income of £3,695 into account along with the joint mortgage payment of £724 and estimated general living expenses of £1,204. In addition, the cost of the household's unsecured monthly debt repayments was also factored into Virgin Money's affordability assessment. The assessment found there was a household monthly disposable income of £536 after covering the existing outgoings. In my view, that was a reasonable position for Virgin Money to reach following the checks completed.*

*I note that whilst a missed payment was found on Miss K's credit file, no other negative information like County Court Judgements, defaults, payday loans were recorded. And Miss K's commitments were all up to date at the point her application was made. I haven't seen anything on Miss K's credit file that I think should've led Virgin Money to take the view she was already overcommitted or struggling financially.*

*Whilst I can see our investigator felt Virgin Money should've carried out more detailed checks before approving Miss K's application, I haven't reached the same conclusion. In my view, Virgin Money carried out reasonable and proportionate checks before approving Miss K's application. And I'm satisfied the information Virgin Money obtained showed Miss K was able to sustainably afford repayments to a new credit card with a limit of £4,000. Taking all the available information into account, I haven't found grounds to say Virgin Money's lending checks needed to go further or been persuaded it lent irresponsibly to Miss K. As a result, I haven't been persuaded to uphold Miss K's complaint.*

*I've considered whether the business acted unfairly or unreasonably in any other way including whether the relationship might have been unfair under Section 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 K 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 invited both parties to respond with any additional comments or information they wanted me to consider before I made my final decision.

Miss K responded to confirm she didn't accept the provisional decision. Miss K said that as the credit card was solely in her name Virgin Money shouldn't have based its affordability assessment on her household income that included her partner's earnings. Miss K also said there was no option to exclude household income when completing the application. Miss K added that her partner's income wasn't available to repay her credit card and that they had their own debts and financial obligations. Miss K added that Virgin Money should've verified her actual income at the time instead of relying on CATO. Miss K said that better checks would've shown her actual income and that a new credit card wasn't affordable. Miss K also said that it wasn't reasonable to assume her partner's income was available for a credit agreement that was solely in her name.

We didn't receive any further comment from Virgin Money.

### **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'd like to thank Miss K for her detailed response, including the screen shot of Virgin Money's application system. I understand Miss K remains of the view it wasn't reasonable for Virgin Money to use a household income when considering an application for a credit card that was solely in her name. But my provisional decision explains that the industry regulator, the FCA, has lending rules in place that allow businesses to use a joint income in certain circumstances when considering an application for credit – even if it's not in joint names. So I'm unable to agree that Virgin Money has failed to follow the relevant regulations on that basis.

Miss K has explained that it wasn't reasonable to assume she would have access to her partner's funds in terms of her new credit card repayments. I take Miss K's point, but given she already had a financial association by way of a joint mortgage with her partner that was reported on her credit file from September 2019, I'm satisfied there was a close financial association recorded. And whilst I'm not saying Miss K's partner is responsible for making her credit card payments, it's not unreasonable for Virgin Money to have taken the view household expenses and finances were shared. In my view, the use of a household income was reasonable in the circumstances of Miss K's application.

Miss K says there's no option to exclude household income when completing the application and has provided a screenshot. I also looked at Virgin Money's credit card application online to get a picture of the information provided. I appreciate the relevant screen doesn't specifically say the household income would be used for affordability purposes in some instances. But I think the request for that information showed Virgin Money was able to take the overall household position into account when considering the application. I haven't been persuaded the application information provided was misleading or unfair.

I understand Miss K says the lending checks should've verified her actual income at the time. Had CATO failed to confirm Miss K's declared income level or other concerns arisen with the application I'd have agreed further checks would be required. But, as set out in the provisional decision, Virgin Money used the income Miss K declared in her application then used CATO to verify that figure. As the figure provided was verified by CATO I haven't been persuaded there were grounds for Virgin Money's checks to go further.

I'm very sorry to disappoint Miss K but for the reasons given above and in my provisional decision I haven't been persuaded that Virgin Money lent irresponsibly. As a result, I'm unable to uphold Miss K's complaint.

### **My final decision**

My decision is that I don't uphold Miss K's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss K to accept or reject my decision before 12 December 2025.

Marco Manente  
**Ombudsman**