

## **The complaint**

Mrs O complains that Clydesdale Bank Plc trading as Virgin Money lent irresponsibly when it approved her credit card application and later increased the limit.

## **What happened**

Mrs O applied for a Virgin Money credit card in August 2021. In her application Mrs O said she was earning £38,000 a year that Virgin Money calculated as £2,458 a month net and had rent of £650. A credit search was completed that found Mrs O had outstanding credit card balances totalling £7,197 and loans of £11,069. Virgin Money says no adverse credit or recent missed payments were noted on Mrs O's credit file.

Virgin Money carried out an affordability assessment using Mrs O's monthly income of £2,458 and deductions for her rent of £650 a month, an estimate of her general living expenses of £1,001, credit card payments of £295 and loan payments of £373. That left Mrs O with a disposable income of £139 a month. Virgin Money approved Mrs O's application and issued a credit card with a limit of £3,000.

Mrs O used her credit card and in July 2022 Virgin Money increased the limit to £5,000.

More recently, Mrs O complained that Virgin Money lent irresponsibly and it issued a final response. Virgin Money said it had carried out the relevant lending checks before approving Mrs O's application and increasing the limit of her credit card and didn't agree it lent irresponsibly.

An investigator at this service upheld Mrs O's complaint. They thought the lending checks completed for Mrs O's application showed she only had a very limited disposable income of £139 a month before making her new Virgin Money credit card payment. The investigator thought that £139 a month wasn't sufficient to sustainably afford repayments to a new credit card with a limit of £3,000 and any emergency expenses that may've arisen. The investigator asked Virgin Money to refund all interest, fees and charges applied to Mrs O's credit card from the date of approval.

Virgin Money asked to appeal and said the terms of the credit card required Mrs O to pay 1% of the outstanding balance plus any interest, fees and charges applied, each month as a minimum payment. Virgin Money also said it had taken unexpected costs into account in its "essential expenditure" figure used for Mrs O's general living expenses in its affordability assessment. As Virgin Money asked to appeal, Mrs O's complaint has been passed to me to make a decision.

## **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.

Before agreeing to lend or increasing the credit limit, the rules say Virgin Money had to complete reasonable and proportionate checks to ensure Mrs O 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've set out the information that Virgin Money used when considering Mrs O's application for a credit card with a limit of £3,000 above. I note Virgin Money verified Mrs O's income, took her rent into account and checked her existing debts via a credit check. The affordability assessment used a figure of £1,001 for what Virgin Money says was for "essential spending" but I note the application data it's sent us refers to it as "monthly other expenditure". Virgin Money says that figure includes funds Mrs O may've required for emergencies but has provided no additional evidence to support its argument. And I think it's fair to say that emergency or unexpected expense by their nature won't form part of a borrower's regular outgoings.

I also note Virgin Money's claim Mrs O was required to make repayments of 1% of the outstanding balance plus interest and charges as a minimum payment each month. But Mrs O will've needed to have funds available to repay any capital balance built up in a reasonable timeframe. And I'm not persuaded that by only making minimum payments, as set out above, Mrs O would've been able to do that. In addition, Mrs O also had other credit card debt of around £7,197.

In my view, the affordability checks completed by Virgin Money indicated Mrs O didn't have sufficient disposable income to sustainably afford repayments to a new credit card of £3,000 and cover any unexpected or emergency expenses that may've arisen. As a result, I'm upholding Mrs O's complaint from the point of application and directing Virgin Money to refund all interest, fees and charges applied.

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, I'm satisfied the redress I have directed below results in fair compensation for Mrs O in the circumstances of her complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

### **My final decision**

My decision is that I uphold Mrs O's complaint and direct Clydesdale Bank Plc trading as Virgin Money to settle as follows:

- Rework the account removing all interest, fees, charges and insurances (not already refunded) that have been applied.
- If the rework results in a credit balance, this should be refunded to Mrs O along with 8% simple interest per year\* calculated from the date of each overpayment to the

date of settlement. Clydesdale Bank should also remove all adverse information regarding this account from Mrs O credit file.

- Or, if after the rework there is still an outstanding balance, Vanquis should arrange an affordable repayment plan with Mrs O for the remaining amount. Once Mrs O has cleared the balance, any adverse information in relation to the account should be removed from their credit file.

\*HM Revenue & Customs requires Clydesdale Bank to deduct tax from any award of interest. It must give Mrs O a certificate showing how much tax has been taken off if she asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs O to accept or reject my decision before 9 January 2026.

Marco Manente  
**Ombudsman**