

The complaint

Miss W complains that Clydesdale Bank Plc trading as Virgin Money acted irresponsibly by providing her with two credit card accounts.

What happened

In May 2018, Virgin Money approved Miss W's application for a credit card ('Card one'), giving her a limit of £1,800. They increased this limit to £3,600 in November 2019, £6,800 in January 2021 and £7,800 in April 2022.

In July 2021, Virgin Money approved Miss W's application for a second credit card ('Card two'), giving her a limit of £3,300. This limit was never increased.

Miss W complained to Virgin Money that they provided her with these credit card accounts without verifying her income. Had they done so, she said, they would have realised that she wasn't earning what she declared and was financially vulnerable.

Virgin Money responded to Miss W's complaint in June 2025 saying that the checks carried out at the time suggested that these limits were appropriate and affordable. Miss W wasn't happy with Virgin Money's response, so she referred her complaint to the Financial Ombudsman.

An investigator assessed her complaint and found that, whilst the first card opening and first and second limit increases were affordable, Virgin Money had acted unfairly by approving the second credit card application and later increasing the limit on the first card for a third time.

Virgin Money didn't agree with the opinion of the investigator. They maintained that their checks didn't suggest Miss W was struggling financially or that the limits were unaffordable.

Because an agreement couldn't be reached, the complaint has been passed to me 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.

Having done so, I'm partially upholding Miss W's complaint, and I'll explain the reasons for my decision.

The Financial Conduct Authority (FCA) sets out in a part of its handbook known as CONC what lenders must do when deciding whether or not to lend to a consumer. In summary, a firm must consider a customer's ability to make repayments under the agreement without having to borrow further to meet repayments or default on other obligations, and without the repayments having a significant adverse impact on the customer's financial situation.

CONC says a firm must carry out checks which are proportionate to the individual circumstances of each case.

I've kept all of this in mind when thinking about whether Virgin Money did what was needed before lending to Miss W.

Card one - Initial lending decision

Did Virgin Money carry out reasonable and proportionate checks?

Before approving the initial application, Virgin Money:

- Asked Miss W for her personal and household income
- Verified her personal income using an internal model
- Asked Miss W for her monthly housing costs
- Estimated Miss W's household disposable income
- Checked her credit file

Miss W said in her application she had an annual income of £15,000, which Virgin Money verified, and a household income of £38,000. She also said her monthly rent/mortgage payment was £200.

As Miss W had given a household income and Virgin Money were able to identify a financial associate through their checks, they assessed whether this credit card was affordable based on Miss W's household income and expenditure. I'm satisfied that's an approach Virgin Money is able to use – in line with the relevant lending rules.

I appreciate Miss W has told us she hasn't lived with another adult for over 10 years. However, Virgin Money obtained a household income figure from Miss W's application, and their checks confirmed the presence of a financial associate. So, I'm not persuaded they did anything wrong by relying on this information, or by not verifying it as Miss W's existing debts were low and sustainable repayments towards this new card would have also been relatively low.

Overall, I'm satisfied the checks they carried out were reasonable and proportionate in the circumstances.

Did Virgin Money make a fair lending decision?

Just because I think the checks were proportionate based on Miss W's circumstances, it doesn't end there. I need to consider whether Virgin Money made a fair decision to lend.

I've looked at Virgin Money's affordability assessment and note they used a joint rent payment of £593 plus an estimate for Miss W's household living expenses of around £1,158. Virgin Money reached the view that Miss W had a household disposable income of £920 a month after paying for rent, living costs and existing credit commitments (including those of her financial associate).

It's worth mentioning that this card also appeared affordable on Miss W's income alone, based on the housing costs she'd provided, and the existing debt commitments Virgin Money obtained from the CRA. She had enough disposable income to afford her other essential expenditure and sustainable repayments towards this new card.

I'm satisfied the decision to approve Miss W's application was reasonable based on the information Virgin Money obtained.

Card one - Credit limit increase one

Did Virgin Money carry out reasonable and proportionate checks?

Before increasing Miss W's credit limit to £3,600 in November 2019, Virgin Money checked Miss W's credit file. Whilst no adverse information was being reported, it did show that her external debt had increased to £13,685.

I also can't see that Virgin Money asked Miss W for any income or expenditure information. Considering she'd declared an annual income of £15,000 around 18 months earlier, I think Virgin Money ought to have been concerned that Miss W's debt to income ratio might have been close to 90%.

Considering Virgin Money had initially assessed Miss W's affordability on a household basis, it would have been proportionate for them to verify the household income and expenditure before they increased the limit. I say this because there was a distinct possibility this increase may not be affordable on Miss W's income alone. So Virgin Money needed to satisfy themselves not only that the increase was affordable on a household basis, but also that, in line with CONC, this additional household income would be available to Miss W to make sustainable repayments.

What would proportionate checks have shown?

Miss W provided bank statements covering three months before the lending decision. These confirm what Miss W told the Financial Ombudsman: that she was a single person household and did not have any financial link with another adult. Her account is a sole one, her income and regular expenses are paid from this account, and she doesn't appear to transfer or receive any funds to or from a financial associate. Had Virgin Money carried out further checks, they would have seen there was no household income. And so, an individual income and expenditure assessment would have been appropriate in the circumstances.

I can see that in the three months leading up to the lending decision, Miss W was receiving government benefit payments (comprised of universal credit and child benefit) of around, on average, £1,370 per month.

I also noted Miss W's average monthly non-discretionary expenditure during this period was around £1,020. So, I'm satisfied if Virgin Money had carried out more checks, they'd have been able to fairly decide Miss W likely had sufficient disposable income to afford sustainable repayments towards the new limit.

Card one - Credit limit increase two

Did Virgin Money carry out reasonable and proportionate checks?

Before increasing Miss W's credit limit to £6,800 in January 2021, Virgin Money checked Miss W's credit file. No adverse information was being reported, and her external debt had reduced to £10,807.

Similarly to the first credit limit increase, I can't see that Virgin Money asked Miss W for any income or expenditure information. Considering her monthly income in November 2019 was only around £1,370 (which Virgin Money would have found out if they'd done proportionate checks), a limit of £6,800 was high in comparison.

And as Virgin Money ought to have known there was no household income in November 2019, it would have been proportionate to have verified Miss W's individual income and expenditure at this point.

What would proportionate checks have shown?

I can see from Miss W's bank statements that, in the three months leading up to the lending decision, she was still receiving government benefit payments of, on average, around £1,525 per month. I noted she also received a Self-Employment Income Support Scheme payment in December 2020 of £1,807. This was a grant which Miss W would have been provided with by the government because of the pandemic. I don't think it would have been appropriate to include this as part of Miss W's income as it wasn't a regular receipt.

I did note that, during this period, she received a monthly payment of £250 from a third party. So, whilst I'm not persuaded this means she had a financial associate, or access to a household income, I'm satisfied this should be considered as additional income.

Miss W's average monthly non-discretionary expenditure during this period was around £1,166 which meant she had a disposable income of around £609. Considering sustainable repayments towards the new limit of £6,800 would have been around £300 to £350 per month, I'm satisfied if Virgin Money had carried out more checks, they'd have been able to fairly decide this limit was affordable for Miss W.

I'll look next at Virgin Money's decision to provide the second card, as this took place before the third credit limit increase on Card one.

Card two – initial lending decision

Did Virgin Money carry out reasonable and proportionate checks?

Before approving the initial application for the second card, Virgin Money:

- Asked Miss W for her personal and household income
- Verified her personal income using Current Account Turnover ('CATO') data
- Asked Miss W for her monthly housing costs
- Estimated Miss W's household disposable income
- Checked her credit file

I appreciate Miss W provided a household income of £56,000 for this application. However, this was only six months after the second credit limit increase on Card one, where Virgin Money ought to have been aware she didn't have access to a household income.

So, I think it would have been appropriate to verify the information Miss W was providing, to establish whether her circumstances had now changed.

What would proportionate checks have shown?

I've once again reviewed Miss W's statements for the three months leading up to the lending decision, to establish what Virgin Money would have found out had they done further checks.

It's clear Miss W's circumstances hadn't changed since the last lending decision in January 2021. The bank statements suggested she didn't have a financial associate, and her income was around £1,300 per month. Her average monthly expenditure, not including

any repayments towards her existing Virgin Money credit card, was around £1,250 which meant she had around £50 disposable income per month – clearly not enough to cover the repayments that would be needed for either card.

So had Virgin Money carried out further checks, they would have realised this second card was unaffordable for Miss W.

Card one – credit limit increase three

As with the other credit limit increases, I can't see Virgin Money asked Miss W for any income or expenditure information. And considering the total limit of £11,100 they were now giving Miss W, I think it would have been proportionate to have verified Miss W's income and expenditure.

Had they done so, they would have found that Miss W's circumstances had remained broadly the same. She was receiving government benefits and her disposable income meant she could not afford sustainable repayments towards the new limit. I'm therefore satisfied this third credit limit increase was also unaffordable for Miss W in the circumstances.

Putting things right

Card one

As Virgin Money shouldn't have increased the limit beyond £6,800, I don't think it's fair for them to be able to charge any interest or charges above this limit. But I do think Miss W should pay back the capital she borrowed. Therefore, Virgin Money should:

- Rework the account to remove all interest, fees, charges and insurances (not already refunded) that have been applied since the limit increase in April 2022 on balances over £6,800.
- If the rework results in a credit balance, this should be paid to Miss W with the addition of simple interest at 8% per year* from the date of each overpayment to the date of settlement.
- If, after the rework, there is still an outstanding balance, arrange an affordable payment plan with Miss W for the remaining amount.
- Once Miss W has cleared the balance, arrange for any adverse information recorded after April 2022 relating to this account to be removed from her credit file.

Card two

As Virgin Money shouldn't have approved the application, I don't think it's fair for them to be able to charge any interest or charges under the credit agreement. But I do think Miss W should pay back the capital she borrowed. Therefore, Virgin Money should:

- Rework the account to remove all interest, fees, charges and insurances (not already refunded) that have been applied.
- If the rework results in a credit balance, this should be paid to Miss W with the addition of simple interest at 8% per year* from the date of each overpayment to the date of settlement.
- If, after the rework, there is still an outstanding balance, arrange an affordable payment plan with Miss W for the remaining amount.
- Once Miss W has cleared the balance, arrange for any adverse information relating to this account to be removed from her credit file.

*HM Revenue & Customs may require Virgin Money to take off tax from this interest. If they do, Virgin Money must give Miss W a certificate showing how much tax they've taken off if she asks for one.

I've considered 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 above results in fair compensation for Miss W 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

For the reasons I've explained, I'm partially upholding Miss W's complaint and direct Clydesdale Bank Plc trading as Virgin Money to put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 5 March 2026.

Amelie Makris
Ombudsman