DRN-5990635

The complaint

Mrs G believes Clydesdale Bank Plc trading as Virgin Money acted irresponsibly when it approved her credit card application.

What happened

In February 2022 Mrs G applied for a credit card with Virgin Money. This application was approved with a credit limit of £12,500. The credit limit was never increased.

In January 2025 Mrs G complained to Virgin Money about its decision to lend. The details of the complaint are familiar to both sides, so I won't repeat them in detail here. But, in short, Mrs G said that Virgin Money failed to conduct a "*correct and in-depth review of* [her] *circumstances"* and, if it had done so, it would have seen that providing this credit was irresponsible because she was on maternity leave at the time and she had multiple other existing creditors. Mrs G also says that Virgin Money did not do any due diligence on the balance(s) she transferred onto the account to confirm that she was benefitting from the 0% interest balance transfer offer.

In October 2023, Virgin Money issued its final response, in which it said it did not uphold the complaint. In short, Virgin Money said that it used "*details provided by* [Mrs G] *as well as information held with credit reference agencies about the performance of other products* [Mrs G] *held"* and, having done so, "*an appropriate and affordable credit limit was assigned".* Therefore, it did not think it had been wrong to lend.

Unhappy with this, Mrs G referred the matter to our service.

One of our investigators reviewed Mrs G's complaint and issued their opinion in July 2025. In doing so, the investigator said that they did not think Virgin Money had acted unfairly, and so they didn't recommend that the complaint be upheld. In short, the investigator was of the view that Virgin Money conducted reasonable and proportionate checks prior to agreeing to lend, and the output from those checks wouldn't have given Virgin Money cause to conclude the lending would be unaffordable or unsustainable for Mrs G.

Mrs G didn't agree and, as an agreement couldn't be reached, the complaint has been passed to me to decide.

Before I proceed, I note that Mrs G raised a separate complaint concerning the (lack of) support she received when she approached Virgin Money because she was struggling financially. The investigator explained that this complaint was not one our service could consider because it had been brought to us more than six months after the final response letter(s) were issued. Mrs G responded to confirm she accepted that our service was unable to consider this matter. Therefore, I make no further comment on this matter within this decision. Instead, this decision will focus solely on whether Virgin Money acted fairly when it agreed to lend.

On 17 November 2025, I issued a provisional decision, in which I said:

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

The Financial Ombudsman Service has set out its general approach to complaints about irresponsible and unaffordable lending on its website. And, having taken this into account along with everything else I need to consider, I don't currently think it would be fair or reasonable to uphold this complaint. I recognise this will be disappointing for Mrs G. I hope my explanation helps her to understand why I've come to this conclusion.

However, whilst I've carefully thought about everything that has been said and provided by both parties, I won't comment on everything in my decision. This is not intended as a discourtesy to either party, but it reflects the informal nature of this service in resolving disputes.

Virgin Money needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mrs G could repay the borrowing in a sustainable way.

These checks weren't prescriptive, but could take into account a number of different things such as how much was being lent, the repayment amounts and the consumer's income and expenditure.

So, in keeping with the information on the Financial Ombudsman Service's website, I think there are a number of overarching questions I need to consider when deciding a fair and reasonable outcome given the circumstances of this complaint:

> *1. Did Virgin Money carry out reasonable and proportionate checks to satisfy itself that Mrs G was likely to have been able to repay the borrowing in a sustainable way?*
>
> > *i. If Virgin Money carried out such checks, did it lend to Mrs G responsibly using the information it had?*
>
> *Or*
>
> > *ii. If Virgin Money didn't carry out such checks, would appropriate checks have demonstrated that Mrs G was unlikely to have been able to repay the borrowing in a sustainable way?*
>
> *2. If relevant, did Mrs G lose out as a result of Virgin Money's decision to lend to her?*
>
> *3. Did Virgin Money act unfairly or unreasonably in some other way?*

There are many factors that could be relevant when determining how detailed proportionate checks should have been. And while much will depend on the circumstances in question, the more obvious factors include – though aren't necessarily limited to:

> *• The type of credit Mrs G was applying for along with the size, length and cost of the borrowing; and*
>
> *• Mrs G's financial circumstances – which included her financial history and outlook along with her situation as it was, including signs of vulnerability and/or financial difficulty.*

And generally speaking, I think reasonable and proportionate checks ought to have been more thorough:

• The lower an applicant's income because it could be more difficult to make the repayments as a result;

• The higher the amount repayable because it could be more difficult to meet a higher repayment, especially from a lower level of income; and

• The total cost of the credit.

As a result, the circumstances in which it was reasonable to conclude that a less detailed affordability assessment was proportionate strike me as being more likely to be limited to applicants whose financial situation was stable and whose borrowing was relatively insignificant and short-lived – especially in the early stages of a lending relationship.

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Mrs G's complaint.

Prior to agreeing to lend, Mrs G was asked to provide details about, amongst other things, her employment status, her gross annual income and household income. Mrs G declared she was employed with a gross annual income of £65,000. Mrs G also declared a household income of £107,000. Virgin Money also asked Mrs G to declare how much she was committing towards 'Mortgage/Rent'. Mrs G declared this figure to be £450.

Virgin Money verified the declared income by checking her current account turnover (known as CATO) which indicated that the figures Mrs G had declared were accurate. So, I'm satisfied that was a reasonable figure for Virgin Money to use as part of its lending decision. For clarity, this doesn't mean that it had access to Mrs G's bank statements or her account history – it means that it used a credit reference agency which had a report of total income received into her current account.

Having done so, Virgin Money calculated the household monthly income to be £6,550 and it used that figure in its lending assessment. I understand that by using the household income Virgin Money was including Mrs G's partner's income in its affordability assessment. But I can also see from the information provided that Virgin Money undertook its affordability assessment on the basis of the household expenditure and mortgage costs. I'm satisfied that's an approach Virgin Money is able to use – in line with the relevant lending rules.

To understand Mrs G's household expenditure – and to get an insight into how Mrs G was managing her existing credit commitments - Virgin Money completed a credit check. Having done so, it calculated Mrs G's household expenditure towards existing credit commitments, broken down into various categories including monthly mortgage payment, revolving debt payments and non-revolving debt payments, to be about £2,650.

To this expenditure it added a figure of £1,495 for 'essential expenditure'. It's not clear to me how Virgin Money arrived at this figure. In the absence of anything to suggest otherwise, I presume this was an estimate based on statistical data.

Deducting all this from what Virgin Money understood to be Mrs G's income, it looked like she had household disposable income of around £2,400.

As I've said, Virgin Money carried out a credit check and it has provided details of what it saw. Virgin Money found Mrs G had no missed payments, outstanding CCJs or evidence of recent payday lending. However, on my reading of the credit check data, it appeared Mrs G did have active unsecured debt of around £58,350 (of this, around £7,400 was in the form of revolving credit) at the time of the application. This represents around 90% of her gross *annual income. And the lending in question, if fully utilised, would push this figure well beyond 100%.*

And cross-referencing this information with the credit report Mrs G provided, it appears at least £37,000 of this unsecured debt (in the form of two personal loans[1]) had been taken out within the five months prior to the lending in question.

In my view, the level of existing debt and amount of new borrowing Mrs G had taken out in the five months before she applied to Virgin Money – coupled with the size of the credit limit it was providing and, by extension, the amount Mrs G would have to repay in the event that she used the full credit limit– should have caused it to go further before approving her credit card application.

In other words, I think Virgin Money needed to do more to ensure it had a proper understanding of Mrs G's overall financial situation to be satisfied she could sustainably repay the credit card in the event it was fully utilised. I think such checks were not only proportionate but also necessary to determining whether the credit card in question was likely to prove repayable on a sustainable basis.

I've thought about the overall circumstances in which the application was made and, having done so, I don't think the checks Virgin Money carried out were reasonable and proportionate.

Would reasonable and proportionate checks have demonstrated that Mrs G was likely to have been able to repay the borrowing in a sustainable way?

It isn't possible to determine with certainty what reasonable and proportionate checks would have shown Virgin Money in practice as I don't know what checks it would have decided to carry out if it had its time again.

As a result, what I'm considering here is the likelihood of reasonable and proportionate checks showing Virgin Money that Mrs G would have been able to sustainably repay the borrowing in question. And for that reason, it is necessary to now consider information that Virgin Money hadn't considered in February 2022.

Virgin Money could have obtained a deeper understanding of Mrs G's financial circumstances by asking for her bank statements, for example. Mrs G has kindly provided bank statements covering the three months before she applied for the lending in question (i.e. November 2021-January 2022). I'll refer to this as the 'Relevant Period'.

I think this would have given Virgin Money a good understanding of Mrs G's overall financial circumstances. I accept that something that we can now see from the information Mrs G has provided wouldn't necessarily have been disclosed by whatever reasonable and proportionate checks Virgin Money might have decided to carry out. But, in the absence of anything else from Virgin Money, I don't think it's unreasonable to rely on Mrs G's bank statements when determining what her financial circumstances were likely to have been like before she applied for this credit card.

---

[1] The investigator said around 'two-thirds' of the unsecured debt was attributable to a hire-purchase agreement. The investigator appears to have relied on the starting balance of the hire-purchase agreement to reach this conclusion. However, I don't think that's quite right – the hire-purchase agreement had been running for over two years by the time Mrs G applies for the credit card in question. So, the balance would be considerably lower and, in my view, not a significant portion of her overall indebtedness. Indeed, the two personal loans I've referenced make up a far more significant portion of the overall indebtedness.

However, having spent time reviewing these bank statements, I do not think Virgin Money would have made a different lending decision if it had seen this information.

I say this because the bank statements suggest Mrs G's average monthly income over the Relevant Period - which comprised of her salary, Child Benefit and a monthly transfer from a family member (I assume this to be her partner) – was about £5,000.

And the statements show a number of Mrs G's regular committed expenses (Direct Debits and Standing Orders) over the Relevant Period – this includes, amongst other things, payments towards her mortgage, other credit commitments, water, various insurances, TV and mobile phone. These total, on average, about £3,780. Further, it looks like Mrs G was spending around £800 in supermarkets and petrol stations each month.

So, once Mrs G's committed non-discretionary regular living expenses and existing credit commitments were deducted from what she received each month, she appears to have had the funds to make a sustainable repayment for this credit card. So, in these circumstances, it's difficult for me to conclude that Virgin Money wouldn't have lent even if it had tried to find out more about Mrs G's financial circumstances at this time.

I appreciate the bank statements show Mrs G had taken out borrowing from another lender shortly before taking out the lending in question. It appears this was, at least in part, used for the purposes of debt consolidation. I say this noting there were significant payments out to another credit card provider and a loan company shortly after the loan was drawn down. This would, potentially, have the effect of reducing her monthly outgoings. So I'm not persuaded this, in and of itself, would have given Virgin Money cause to refuse to lend.

What's more, the bank statements did not reveal any other obvious signs of financial strain, such as prolonged use of an overdraft, reliance on short-term lending or returned Direct Debits.

With all of this in mind, if Virgin Money had made further checks, as I think it should have, then I think it's unlikely it would have decided the lending in question was unaffordable or unsustainable for Mrs G. I think it would have concluded that Mrs G would, more likely than not, be able to make the payments necessary to repay what she could owe within a reasonable period of time at the lending decision was made.

So, I don't think Virgin Money acted unfairly by agreeing to lend.

In reaching this conclusion, I've kept in mind that the card came with a 0% balance transfer offer which Mrs G could take advantage of and pay no interest on existing credit card debt which would have given her a significantly greater opportunity to reduce what she already owed, as well as reduce what she would have to pay to balances that had already accrued. And, in these circumstances, Virgin Money had no reason to believe that Mrs G's indebtedness would increase.

Did Virgin Money act unfairly or unreasonably in some other way?

In her submissions to our service, Mrs G has said that Virgin Money "didn't advise based on my balance transfer values what monthly payment I should make to ensure that I did not owe past the 0% offer. They did not do any due diligence on the balances I transferred to confirm if I was benefiting from 0% interest...".

I don't have a great deal to add to what our investigator had to say in relation to this point. Virgin Money's obligations did not extend, as far as I can see, to ensuring that Mrs G would *benefit from the balance transfer offer or to ensure that she did not owe funds beyond the 0% period. Virgin Money had to assess whether Mrs G would be able to pay back the balance, assuming it was fully utilised, sustainably and in a reasonable period of time. For the reasons I've explained, I think even if it had conducted further checks, it would have reasonably concluded this to be the case.*

In determining this matter, I've also considered whether Virgin Money acted unfairly or unreasonably in some other way given what Mrs G has complained about, including whether their relationship with her might have been viewed as unfair by a court under s.140A Consumer Credit Act 1974.

However, for the reasons I've already given, I don't think Virgin Money lent irresponsibly to Mrs G 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.

With that being the case, whilst I understand this will come as a disappointment to Mrs G, I am provisionally minded to not uphold this complaint.

Responses to my provisional decision

I gave both parties an opportunity to respond to my provisional decision.

Neither party provided any further submissions.

The deadline to do so was 1 December 2025. As that deadline has now lapsed, I've reviewed the complaint again.

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 reconsidered the available evidence in this complaint – and in the absence of any further submissions or evidence from either party - I see no reason to depart from the findings set out in my provisional decision.

This being that, based on the information available, I do not think Virgin Money made an unfair lending decision for the reasons I've set out in my provisional decision.

In short, I say this because, whilst I do not think Virgin Money conducted reasonable and proportionate checks prior to agreeing to lend, I do not think such checks (if they had been carried out) would have given it cause to refuse to lend.

In reaching this conclusion, I've also considered whether Virgin Money acted unfairly or unreasonably in some other way given what Mrs G 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.

However, for the reasons I've already given, I don't think Virgin Money lent irresponsibly to Mrs G 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.

My final decision

For the reasons set out here and in my provisional decision, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mrs G to accept or reject my decision before 30 December 2025.

Ross Phillips
Ombudsman