

The complaint

Miss C complains that Clydesdale Bank Plc trading as Virgin Money irresponsibly lent to her.

What happened

Miss C was approved for a Virgin Money credit card in February 2021 (which I will refer to as A in this decision), with a £3,600 credit limit. The credit limit on A was increased to £7,200 in December 2021). Miss C was approved for another Virgin Money credit card in January 2025 (which I will refer to as B in this decision), with a £11,700 credit limit. Miss C says that Virgin Money irresponsibly lent to her. Miss C made a complaint to Virgin Money.

Virgin Money did not uphold Miss C's complaint. They said the accounts and their credit limits were appropriate based on Miss C's circumstances when they were approved. Miss C brought her complaint to our service.

Our investigator partially upheld Miss C's complaint. She said that Virgin Money should have completed further checks on the credit limit increase on A, but further checks would have shown the increased lending was not affordable and sustainable for her.

Virgin Money asked for an ombudsman to review the complaint. They said that Miss C had been managing her finances well and there were no signs of financial stress. They referred to a separate complaint our service didn't uphold, and they said there were similarities between the two cases.

As my findings differed in some respects from our investigator's, I issued a provisional decision to give both parties the opportunity to consider things further. This is set out below:

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

As Virgin Money are aware, our service judges each complaint on its own merit. So I'll be considering if they made fair lending decisions here on the complaint Miss C brought to our service.

Before agreeing to approve or increase the credit available to Miss C, Virgin Money needed to make proportionate checks to determine whether the credit was affordable and sustainable for her. There's no prescribed list of checks a lender should make. But the kind of things I expect lenders to consider include - but are not limited to: the type and amount of credit, the borrower's income and credit history, the amount and frequency of repayments, as well as the consumer's personal circumstances. I've listed below what checks Virgin Money have done and whether I'm persuaded these checks were proportionate.

Acceptance for A

The information showed that Miss C had no County Court Judgements (CCJ's) or defaults being reported by the Credit Reference Agency (CRA), and no accounts in arrears at the time of the checks.

Miss C declared a gross annual income of £25,550. The CRA informed Virgin Money that Miss C had unsecured debt of £22,283 which £2,819 was for revolving debt (such as any credit cards/store cards/overdrafts she had). The remaining £20,064 was for non-revolving debt (such as personal loans/hire purchase agreements etc).

Virgin Money completed an affordability assessment for Miss C. But Miss C was showing as having a financial associate, so Virgin Money completed a household affordability assessment to see if Miss C would be able to afford repayments for the £3,600 credit limit.

I'm persuaded that it was fair for Virgin Money to expect Miss C wouldn't pay all of the household outgoings, and this is why it would be fair to consider what her financial associate would be paying also towards the outgoings. While her financial associate wouldn't be responsible for paying any of the repayments on the Virgin Money credit card, it wouldn't be fair to include outgoings that Miss C wouldn't be paying towards her expenditure.

But I do think it would have been proportionate for Virgin Money to have completed further checks here. I say this because Miss C had a debt to gross annual income ratio of over 87.2%. I note that Miss C indicated she wanted to complete a balance transfer(s) to the Virgin Money credit card, but her debt to income ratio still would have increased even if she transferred the balances she told Virgin Money she wanted to.

Miss C's income was very similar to her financial associate's income. So I'm not persuaded that Virgin Money were unreasonable to believe that household outgoings could be split. But I do note that Miss C's financial associate had no unsecured lending in their name. So Miss C would be responsible for paying all of her unsecured debt repayments. Based on Virgin Money's affordability assessment, Miss C would have been paying £10.25 a month for her revolving credit (they based this on Miss C completing the balance transfer(s) she told them about), and £799 a month for her non-revolving debt.

So Miss C's monthly credit commitments would have been a substantial part of her net income, even before it is factored in her share of the household bills and her new Virgin Money credit card repayment.

So based on the amount of credit being approved, with an already high debt to income ratio, and the level of credit commitments Miss C was also repaying (even after taking into account her balance transfer), then I'm persuaded that Virgin Money should have completed further checks here.

There's no set way of how Virgin Money should have made further proportionate checks. One of the things they could have done was to contact Miss C to ask her how the bills were split, and to ensure she could make sustainable and affordable repayments for the credit limit provided. Or they could have asked for her bank statements as part of a proportionate check to ensure the lending was sustainable and affordable for her.

Miss C has provided her bank statements leading up to this lending decision. I can see that at times Miss C transferred money into a savings account, and I've viewed her savings statements, but she largely transferred the money back out shortly after she credited it to the savings account. Miss C has also told us how the bills were split between her partner and herself.

Miss C told us that the only bills that were joint were the mortgage and the council tax bills. Miss C told us that the gas and electric bills were shared, and her partner paid for his life insurance. She told us she paid for all of the other outgoings, but her partner paid for food. She told us that she paid for her son's road tax, his phone bill, and his car insurance.

Miss C has forwarded her bank statements leading up to this lending decision. She's told us that her partner's income was paid into the account due to them wanting a joint account, but they didn't have the time to visit the branch to do this face to face.

Miss C's salary was around £1,769 - £1,811 per month. I've used the lower figure here as it wouldn't be fair to use higher figures which aren't paid every month (for example if Miss C worked overtime). The statements do show the £799 a month loan, which would leave her £970 a month left for all of her other outgoings.

The mortgage payment is showing as being around £512 a month, so Miss C's share of this would be £256, and the council tax is showing as being £156, so her share would be £78, and the gas and electricity is around £86 a month, so Miss C's share would be £43 a month. So with Miss C's remaining £970 a month (see previous paragraph), the shared bills would reduce Miss C's disposable income to pay the rest of her outgoings to £593 a month.

From the £593 a month, the other outgoings on the statement, are shown as a telecommunications company for around £52 a month. There is another direct debit for the same telecommunications company which averages out to be around £112 a month, road tax averaging £26 a month, Miss C's life insurance around £7 a month, home insurance around £19 a month, water bill, around £42 a month, another insurance averaging around £29, television licence around £13 a month, and a satellite provider averaging around £96 a month. This would leave £197 a month disposable income.

But there are other outgoings which Miss C pays as showing on her statements, such as car insurance around £47 a month, a telecommunications company, which is around £28 a month, and a membership for £42 a month. So if I deducted these from the £197 a month disposable income (see previous paragraph), she would be left with around £80 a month to pay not only her Virgin Money credit card but any other credit card balance she had remaining after she completed her balance transfer.

So I'm not persuaded that Miss C had a sufficient income for any slight increases to her normal outgoings/disposable income for emergencies, and to make sustainable and affordable repayments for a £3,600 Virgin Money credit limit. So I'm not persuaded that Virgin Money made a fair lending decision here.

December 2021 credit limit increase on A - £3,600 to £7,200

If Miss C's application for A wasn't approved, then it's probable that the further lending decision on A wouldn't have happened after this either. So I think there is an argument for saying that Miss C's complaint about the subsequent lending decision on A should be upheld without making a finding on reasonable and proportionate checks. After all, if matters had played out as the evidence suggests they should have done in February 2021, then I'm not persuaded that Virgin Money would've added to the credit.

Acceptance for B

As some time had passed since A was approved, and B was approved, I'm not persuaded that it would be fair to say that B should automatically not have been approved for Miss C, as her financial circumstances could have improved since she opened A. So I've looked to see what checks Virgin Money completed for B.

The information showed that Miss C had no CCJ's or defaults being reported by a CRA, and no accounts in arrears at the time of the checks.

Miss C declared a gross annual income of £28,690. The CRA informed Virgin Money that

Miss C had unsecured debt of £26,418 which £10,364 was for revolving debt. The remaining £16,054 was for non-revolving debt (such as personal loans/hire purchase agreements etc).

Virgin Money completed an affordability assessment for Miss C. But Miss C was again showing as having a financial associate, so Virgin Money completed a household affordability assessment to see if Miss C would be able to afford repayments for the £11,700 credit limit.

I'm persuaded that it was fair again for Virgin Money to expect Miss C wouldn't pay all of the household outgoings, and this is why it would be fair to consider what her financial associate would be paying also towards the outgoings. While her financial associate still wouldn't be responsible for paying any of the repayments on the Virgin Money credit card, it wouldn't be fair to include outgoings that Miss C wouldn't be paying towards her expenditure.

But I do think it would have been proportionate for Virgin Money to have completed further checks here. I say this because Miss C had a debt to gross annual income ratio of over 92%. I note that Miss C indicated she wanted to complete a balance transfer(s) to the Virgin Money credit card, but her debt to income ratio still would have increased even if she transferred the balances she told Virgin Money she wanted to.

Miss C's income was very similar to her financial associate's income. So I'm not persuaded that Virgin Money were unreasonable to believe that household outgoings would be split. But I do note that Miss C's financial associate had no unsecured lending in their name still. So Miss C would be responsible for paying all of her unsecured debt repayments. Based on Virgin Money's affordability assessment, Miss C would have been paying £4.43 a month for her revolving credit (they based this on Miss C completing the balance transfer(s) she told them about, and £407 a month for her non-revolving debt. The new credit limit was over 40% of Miss C's declared gross annual income.

So based on the amount of credit being approved, with an already high debt to income ratio, and the level of credit commitments Miss C was also repaying and would need to repay for B, then I'm persuaded that Virgin Money should have completed further checks here.

As I previously mentioned, there's no set way of how Virgin Money should have made further proportionate checks. Miss C has again provided her bank statements leading up to this lending decision. I can see that at times Miss C transferred money into a savings account, and I've viewed her savings statements, but she largely transferred the money back out shortly after she credited it to the savings account. Miss C also told us how the bills were split.

Miss C's told us that the only bills that were joint were the mortgage and the council tax bills. Miss C told us that the gas and electric bills were shared, and her partner paid for his life insurance. She told us she paid for all of the other outgoings, but her partner paid for food. She told us that she paid for her son's road tax, his phone bill, and his car insurance.

Miss C has forwarded her bank statements leading up to this lending decision. She's told us that her partner's income was paid into the account due to them wanting a joint account, but they still hadn't the time to visit the branch to do this face to face.

Miss C's salary was around £1,879 - £2,329 per month. I've used the lower figure here as it wouldn't be fair to use higher figures which aren't paid every month (for example if Miss C worked overtime).

The mortgage payment is showing as being around £1,187 a month, so Miss C's share of this would be £593.50, and the council tax is showing as being £143, so her share would be

£71.50, and the gas and electricity is around £134 a month, so Miss C's share would be £67 a month. So with Miss C's £1,879 net monthly income, the shared bills would reduce Miss C's disposable income to pay the rest of her outgoings to £1,147 a month.

From the £1,147 a month, the other outgoings on the statement are shown as a loan repayment of £233 a month, payments to a telecommunications company which averages out to be around £155 a month, road tax averaging £32 a month, home insurance around £27 a month, a water bill around £56 a month, payment to an insurance company averaging around £46, television licence around £34 a month, satellite provider averaging around £74 a month. This would leave £490 a month disposable income.

But there are other outgoings which Miss C pays as showing on her statements, such as car insurance around £201 a month, another insurance policy for £20 a month, trade union policy of £14 a month, and two memberships totalling £38 a month. There was also a standing order for £15 a month, a device payment for £17 a month, a streaming service for £11 a month, and Miss C's life cover for around £7 a month. So if I deducted these from the £490 a month disposable income (see previous paragraph), she would be left with around £167 a month to pay not only her Virgin Money credit card but any other credit card balance she had remaining after she completed her balance transfer, and her overdraft interest, as Miss C was often overdrawn, sometimes four figures overdrawn.

So I'm not persuaded that Miss C had a sufficient income for any slight increases to her normal outgoings/disposable income for emergencies, and to make sustainable and affordable repayments for a £11,700 Virgin Money credit limit. So I'm not persuaded that Virgin Money made a fair lending decision here.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed at the end of this decision results in fair compensation for Miss C 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."

I invited both parties to let me have any further submissions before I reached a final decision. Miss C accepted the provisional decision. Virgin Money did not respond to the provisional 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.

As neither party have provided me with any further information to consider, then my decision and reasoning remains the same as in my provisional decision.

Putting things right

In the provisional decision I said I intend to uphold this complaint. I said I intend to ask Clydesdale Bank Plc trading as Virgin Money to take the following actions:

For both A and B

Virgin Money should arrange to transfer any debt back to themselves if it has been passed to a debt recovery agent or liaise with them to ensure the redress set out below is carried out promptly;

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 Miss C along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement. Virgin Money should also remove all adverse information regarding this account from Miss C's credit file;

Or, if after the rework there is still an outstanding balance, Virgin Money should arrange an affordable repayment plan with Miss C for the remaining amount. Once Miss C has cleared the balance, any adverse information in relation to the account should be removed from Miss C's credit file.

I'm still satisfied this is a fair outcome for the reasons given previously.

**If Virgin Money considers that they are required by HM Revenue & Customs to deduct income tax from that interest, they should tell Miss C how much they've taken off. They should also give Miss C a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.*

My final decision

I uphold this complaint. Clydesdale Bank Plc trading as Virgin Money should settle the complaint in line with the instructions in the *"Putting things right"* section above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 2 January 2026.

Gregory Sloanes
Ombudsman