

## Complaint

Mr G has complained about a credit card Clydesdale Bank Plc (trading as “Virgin Money”) provided to him. He says he shouldn’t have been provided with this credit card as it was unaffordable for him.

## Background

Virgin Money provided Mr G with a credit card with a limit of £4,200.00 in June 2021. The credit limit on the card was never increased.

One of our investigators reviewed what Mr G and Virgin Money had told us. And she thought Virgin Money hadn’t done anything wrong or treated Mr G unfairly. So she didn’t recommend that Mr G’s complaint be upheld.

Mr G disagreed and asked for an ombudsman to look at his complaint.

## My findings

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

Before I go on to set out my conclusions on this matter, I want to say that I can see that it’s clear just how strongly Mr G feels about his complaint and why he’s unhappy. I note that in his response to the investigator, he’s referred to the length of his submissions and suggests that the length of the investigator’s assessment indicated that not everything he’d said had been considered.

So at this point, I think it might help for me to set out that while I may have not commented on each and every point that Mr G’s made, I have nonetheless read and considered everything he’s said. However, I’ve focused on the key things that have led to me reaching, what in my view is, a fair and reasonable decision.

For the sake of completeness, I’d add that the rules of this service permit me to do this as it reflects the nature of our service which was set up to be an informal alternative to the courts.

*Virgin Money’s initial decision to provide Mr G with a credit card which had a credit limit of £4,200.00*

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Mr G’s complaint.

Having carefully considered everything, I’ve decided not to uphold Mr G’s complaint. I’ll explain why in a little more detail.

Virgin Money needed to make sure it didn’t lend irresponsibly. In practice, what this means is Virgin Money needed to carry out proportionate checks to be able to understand whether Mr G could afford to repay any credit it provided.

Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

Virgin Money says it agreed to Mr G's application for a credit card after it obtained information on his income and carried out a credit search. And the information obtained indicated that Mr G would be able to make the monthly repayments due on a credit limit of £4,200.00. On the other hand, Mr G says that he shouldn't have been lent to.

I've considered what the parties have said.

What's important to note is that Mr G was provided with a revolving credit facility rather than a loan. And this means that Virgin Money was required to understand whether a credit limit of £4,200.00 could be repaid within a reasonable period of time – not all in one go. It's fair to say that a credit limit of £4,200.00 wouldn't have required especially large monthly repayments, in order to clear the full amount owed within a reasonable period of time.

From the information provided, it looks like Mr G declared that he was employed and earning around £30,000.00 a year. There isn't anything to indicate that this was inaccurate. Indeed, Virgin Money appears to have cross checked Mr G's declaration against information from credit reference agencies on the amount of funds going into his main bank account each month.

Virgin Money's credit check also did not indicate that Mr G had had any recent previous difficulties repaying credit – such as defaulted accounts or county court judgements - either. It seems as though the amount Mr G owed elsewhere was low in comparison to his validated income too. I don't think that Mr G potentially being in a position where he could owe around £8,000.00 – should he have used all the credit available on this card, meant that a more rigorous assessment of his circumstances would have been proportionate. This is especially given the lack of significant adverse information.

Furthermore, I also note that this credit card had a 0% interest rate offers for balance transfers. And Mr G had the option of transferring some of his existing credit card debt, to a much lower interest rate, on to this account. Indeed, I think that Mr G applied for this credit card in order to transfer existing balances on to this account at 0% interest, as he immediately transferred such debt onto this card.

I'm therefore satisfied that Mr G was always likely to pay less interest than he would have done had his existing credit card debt stayed where it was and he was therefore able to make larger inroads into his balance. Whether Mr G went on to do this or not wasn't something that Virgin Money could know at this stage. However, as Mr G was applying for a card that had such a preferential rate, I don't think it would have been unreasonable to reach such a conclusion that this may be what would happen.

I would also add that I've noted that Mr G has referred to his persistent overdraft use. In the first instance, as Virgin Money didn't have Mr G's bank statements and it wasn't required to obtain them, I don't think that it could reasonably have known about the regularity of Mr G's overdraft usage. I'd also add that a credit check carried out by a letter doesn't provide the

same level of information as a full credit report requested by a customer. So I don't think that any persistent overdraft usage would have shown up in Virgin Money's credit checks either.

In any event, there isn't a prohibition on a lender lending to a customer using an agreed overdraft. Ultimately, if Mr G is unhappy at the way he was allowed to use his overdraft this is something that he'll need to take up with his bank rather than Virgin Money. And Mr G's arguments regarding his overdraft haven't persuaded me that Virgin Money's checks before approving this card ought to have gone further.

Bearing in mind all of the above I'm satisfied that the checks Virgin Money carried out before offering this credit card to Mr G were reasonable and proportionate. As these indicated that Mr G would be likely to make the monthly payments he could have to make, I don't think that it was unfair for Virgin Money to have provided this credit card to Mr G.

#### *Mr G's use of the card*

I've noted Mr G's comments that this credit card was a balance transfer card but he was able to make purchases on it. I've thought about what Mr G has said. However, Virgin Money provided Mr G with a credit card that had a promotional balance transfer rate on it. The promotional rate given to Mr G meant that balance transfers attracted a lower interest rate. However, it did not mean that the card couldn't be used to make new purchases – after all this is typically the main use for a credit card.

Furthermore, the terms and conditions of Mr G's credit card did not require Virgin Money to restrict any transactions solely to balance transfers. Equally, there isn't anything in any of the regulations requiring a lender to limit the transactions on an account, to those associated with any promotional offer that the customer might have.

So I don't think that Virgin Money did act unfairly in allowing Mr G to make purchases on his credit card. Ultimately, it concluded that the credit card was affordable, which for the reasons I've already explained it was reasonably entitled to, and it was up to Mr G to decide how he wished to use a credit card which he was able to transfer balances to and make purchases on. I'm afraid that it wasn't up to Virgin Money to refuse purchases that were within Mr G's available credit and which he'd authorised.

#### *Mr G's comments regarding being in persistent debt*

I've noted that Mr G has referred to Virgin Money ignoring the signs of him being in persistent debt as he was using 95% of his credit within weeks of opening his account. However, it's worth noting that that it doesn't automatically follow that an individual who has had a balance towards the upper end of their credit limit will be in persistent debt.

I say this because the definition of persistent debt is based on how much of the customer's payments go towards interest and how much goes towards repaying the capital borrowed. As this is the case, it is perfectly possible for someone to remain at the upper end of their credit limit for some time without ending up in persistent debt. This is especially if they end up making a balance transfer that does not attract interest and all the payments end up going to the capital.

In any event, it appears as though Mr G's account did formally enter into persistent debt in May 2024 and Virgin Money wrote to him as a result. As Virgin Money did what it was required to in relation to this matter, I'm not persuaded that it acted unfairly or that it should have intervened earlier.

I say this while especially mindful Virgin Money acting outside of the formal persistent debt rules, which is what would need to have happened for Virgin Money to have acted in the circumstances of this case, will have resulted in adverse credit information being recorded against Mr G. Bearing in mind the section of this decision that I come on to next, I think it's likely that Mr G is more likely than not to have resisted action taken in this way.

*Was Virgin Money reasonably entitled to default Mr G's account when it did?*

I now turn to what Mr G has said about Virgin Money's actions when he fell into difficulty. From what I've been able to see, it appears as though Mr G contacted Virgin Money, in mid-2024 to explain that he was having difficulty making his payments.

When a lender becomes aware, or it ought reasonably to be aware, that a borrower is experiencing difficulty making their payments, I think that it is fair and reasonable to expect it to exercise forbearance and due consideration, in line with its regulatory obligations. The correspondence log I've been provided with shows that Mr G was sent an income and expenditure form to complete.

Following this, it appears as though Mr G had a call with Virgin Money to talk through his income and expenditure. While Mr G did have some funds to be able to pay towards his account, this was less than half the amount of his contractual payment. As a result, Virgin Money said that it wasn't in a position to be able to set a payment arrangement that would prevent Mr G's account from defaulting.

Mr G has said that Virgin Money's actions breached CONC 7. I'm afraid that, for a number of reasons, I don't agree with Mr G's assertions here. In the first instance, Virgin Money didn't refuse to assist Mr G. It immediately suspended any further interest and charges being added to his account and also blocked the card from being used. This meant that Mr G's balance was frozen and wouldn't increase. I think that this was itself a fair and reasonable initial step to Mr G's contact.

Secondly, Virgin Money didn't refuse to accept reasonable token payments from Mr G. Having reviewed the follow up letter Virgin Money sent to Mr G after its call with him, I can see that it told Mr G that he should make his payments as this would help reduce his outstanding balance. So I'm not persuaded that Virgin Money refused to accept reasonable token payments in the way that Mr G says.

What Virgin Money refused to do was tell Mr G that it wouldn't default the account should it get to the stage where its relationship with him could objectively be said to have broken down<sup>1</sup>. Mr G may have considered that it wasn't worth making the payments in these circumstances, but I think that it would be incorrect to say that Virgin Money refused to accept affordable token payments from him. Furthermore, there isn't anything in CONC 7 from preventing a lender from defaulting a customer should they have incurred significant and sustained arrears.

I know that Mr G has said that his other lenders treated him differently. I don't know what Mr G's other lenders may or may not have done or whether they did treat him fairly and

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<sup>1</sup> The main criteria for determining when it would be appropriate for a lender to report that an account has defaulted to credit reference agencies is set out in the Information Commissioner's Office's '*Principles for the Reporting of Arrears, Arrangements and Defaults at Credit Reference Agencies*'. It states that a default may be reported when a customer is three months in arrears and normally by the time that they are six months in arrears. These principles state that the default will be reported to show that the relationship between the parties has broken down. Mr G says he was told his account would be defaulted when he was seven months in arrears.

reasonably. In any event, my role here is not to decide whether Virgin Money did what Mr G's other creditors did. My role here is to determine whether Virgin Money acted fairly and reasonably in the circumstances of this particular case. Whether or not Virgin Money did so depends on its actions as well as its rules and obligations, not necessarily what Mr G's other lenders did or didn't do.

It's worth noting that Mr G had already been in arrears for a period of time and was significantly over his credit limit when he contacted Virgin Money in June 2024. So it is clear that Mr G was already in place where he was displaying an inability to perform his obligations under this agreement with Virgin Money.

In these circumstances, I don't think that I don't think it would have been fair, reasonable or proportionate for Virgin Money to continue ignoring Mr G's obvious and apparent difficulty, or the fact that he appeared unable to bring the account up to date, indefinitely. As a result, I don't think that it was unreasonable for Virgin Money to have sent Mr G a default notice in October 2024.

Mr G did not, and was probably unable to, comply with the terms of the default notice by 4 November 2024. As this is the case, I don't think that it was unreasonable for Virgin Money to have defaulted Mr G's account at this point. After all, it is clear that the relationship between Mr G and Virgin Money had broken down and there was nothing to indicate that Mr G would be able to clear what he owed within a reasonable period of time. In my view, this is precisely the type of situation where a lender would be expected to record a default.

Furthermore, while terminating a facility and recording a default or other adverse information, might be viewed negatively by other lenders, it does offer the borrower certain protections in relation to the debt that is in arrears. And asking Virgin Money to remove the default, when Mr G didn't repay this debt in line with the initial terms and conditions, would arguably be counterproductive and not in Mr G's interests or that of any future lender.

I appreciate that Virgin Money might not have gone as far as Mr G had hoped. And I acknowledge the possibility that Mr G's other creditors may have acted differently. However, I'm afraid that Mr G's prior contact with Virgin Money, or not being in a position to make larger repayments, doesn't mean that Virgin Money couldn't, or even shouldn't have defaulted the account.

Indeed, as I've said there isn't anything in CONC 7 preventing a lender from defaulting an account in sustained arrears, even if this is because the customer is in a position where they cannot pay more. Mr G had reached the stage where an account would normally be defaulted and as I've said it wouldn't have been fair and reasonable for Virgin Money to have ignored matters indefinitely.

In these circumstances and considering everything in the round, I'm satisfied that Virgin Money's response to Mr G's payment difficulties was appropriate. Equally, I'm not persuaded that there is anything in the regulator's rules and guidance which means that Virgin Money acted incorrectly in taking the action it did to default the account.

So I'm satisfied it was fair and reasonable for Virgin Money to have defaulted Mr G's account, when it did so in November 2024, bearing in mind what it knew about Mr G's circumstances and his overall position at this time.

### *Conclusions*

Overall and while I'm sorry to hear that Mr G found making his credit card payments a struggle and went on to experience difficulty, I don't think that Virgin Money treated Mr G

unfairly or unreasonably either when providing him with his credit card, or when he had difficulty making his payments. And I'm not upholding Mr G's complaint. I appreciate this will be very disappointing for Mr G – as I said at the outset it's clear that he feels strongly about his complaint. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

### **My final decision**

For the reasons I've explained, I'm not upholding Mr G's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 23 February 2026.

Jeshen Narayanan  
**Ombudsman**