

The complaint

Mr D complains that Clydesdale Bank Plc trading as Virgin Money irresponsibly lent to him.

What happened

Mr D was approved for a Virgin Money credit card in July 2015, with a credit limit of £4,000. The credit limit was increased to £5,000 in December 2015. The credit limit was increased for a final time in March 2018, to £5,500. Mr D says this was irresponsibly lent to him. Mr D made a complaint to Virgin Money.

Virgin Money did not uphold Mr D's complaint. They said that based on their assessments that appropriate and affordable credit limits were assigned. Mr D brought his complaint to our service. Our investigator partially upheld Mr D's complaint. She said that Virgin Money shouldn't have increased the credit limit above £5,000 due to overlimit, late, and returned fees shortly before the credit limit to £5,500 was processed. She said further checks would have shown that Mr D made considerable gambling transactions, depositing £8,575, and wins returned £12,650.

Virgin Money asked for an ombudsman to review the complaint. They said that the data suggested that the additional £500 credit limit was affordable for Mr D. They said Mr D exceeded his credit limit on two occasions only, but periodically he made higher repayments to the account. Virgin Money said that any winnings from Mr D's gambling should be considered also.

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.

Before agreeing to approve or increase the credit available to Mr D, Virgin Money needed to make proportionate checks to determine whether the credit was affordable and sustainable for him. 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 the Virgin Money credit card

The information showed that Mr D 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.

Mr D declared a gross annual income of £32,000. The CRA informed Virgin Money that Mr D had unsecured debt of £808. Virgin Money completed an affordability assessment for Mr D. But Mr D was showing as having a financial associate, so Virgin Money completed a

household affordability assessment to see if Mr D would be able to afford repayments for the £4,000 credit limit.

I'm persuaded that it was fair for Virgin Money to expect Mr D wouldn't pay all of the household outgoings, and this is why it would be fair to consider what his financial associate would be paying also towards the outgoings. While his 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 Mr D wouldn't be paying towards his expenditure.

Mr D's income was fairly similar to his financial associate's income. And the financial associate had no active unsecured debt in their name. Mr D's monthly credit commitments were low in respect to his net monthly income. So I don't find it unusual for Virgin Money to complete a household affordability assessment here (obviously keeping in mind that only Mr D would be responsible for repaying his active unsecured debt).

The affordability assessment shows repayments for the £4,000 credit limit should be affordable and sustainable for Mr D. The proposed credit limit was 12.5% of his declared gross annual income. If the credit limit was fully utilised and added to the £808 of existing active unsecured debt, then this would be around 15% of his declared gross annual income. So I'm persuaded that Virgin Money's checks were proportionate here, and they made a fair lending decision.

December 2015 credit limit increase - £4,000 to £5,000

A CRA reported that Mr D's active unsecured debt had risen to £12,588. So this was quite a large increase to his unsecured debt compared to the level of unsecured debt he had only a number of months earlier.

Virgin Money would have also been able to have seen how Mr D managed his account since it had been opened. Mr D incurred no late or overlimit fees, but he usually paid his minimum repayment or slightly over his minimum repayment.

Since Virgin Money only completed an affordability assessment only months earlier, it may not always be proportionate to complete an affordability assessment every time a credit limit is increased. But here, due to the increase in Mr D's unsecured debt, I'm persuaded that Virgin Money should have completed an affordability assessment as a large amount of increase to his unsecured debt in a short period of time could indicate that Mr D may have been reliant on credit prior to this credit limit increase, especially as he was close to his credit limit on his Virgin Money account.

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 Mr D to ask him how the bills were split, and to ensure he could make sustainable and affordable repayments for the credit limit provided. Or they could have asked for his bank statements as part of a proportionate check to ensure the lending was sustainable and affordable for him.

Mr D has provided bank statements leading up to this lending decision. I note that the lending decision was in December 2015, so I'm not persuaded that Mr D's bank statements for December 2015 would have been produced at the time Virgin Money completed their lending checks prior to the credit limit increase, therefore I've disregarded the December 2015 statements.

Mr D does enter an arranged overdraft for the majority of the time I looked at. But utilising an arranged overdraft does not automatically equate to a £1,000 credit limit increase not being affordable. I could not locate any returned direct debits, or any mention of Mr D exceeding

his arranged overdraft limit. Mr D transferred money to a joint account (presumably for his share of the household bills). And his statements showed he had disposable income for non-priority expenditure. There were no patterns of gambling transactions in this timeframe which would give Virgin Money cause for concern.

So if Virgin Money would have requested Mr D's bank statements as part of a proportionate check, then I'm persuaded that they would have approved the credit limit increase to £5,000, and I'm persuaded that they made a fair lending decision here.

March 2018 credit limit increase - £5,000 to £5,500

A CRA reported that Mr D's active unsecured debt had reduced to £11,036 at the time of these checks, which could suggest that not only could Mr D service his unsecured debt, but be able to make overpayments to reduce this also.

Virgin Money would also have been able to see how Mr D used his Virgin Money credit card since the last credit limit increase. Mr D incurred an overlimit fee in March 2017, but I note he brought this account back within the credit limit the following month, so it would appear that this was an oversight.

Mr D also had a returned item fee in November 2017. But I note that the same statement period he made repayments of £301.37, which far exceeded his requested minimum repayment. So it again appears to be an oversight, otherwise I wouldn't expect Mr D to be able to make a much higher repayment if he was struggling financially at the time.

It's been said that Mr D incurred late, overlimit and returned fees shortly before this credit limit increase, however, the data for this entry shows that Mr D's payment was due by 19 March 2018. But as the credit limit for this increase was on 5 March 2018, I'm not persuaded that it would have been foreseeable to Virgin Money that Mr D's payment would be late/returned after the credit limit had occurred. So I can't say this should have prompted further checks.

So I'm persuaded that Virgin Money's checks were proportionate here, and they made a fair lending decision to increase the credit limit by £500.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I can't conclude that Virgin Money lent irresponsibly to Mr D or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here."

I invited both parties to let me have any further submissions before I reached a final decision. Virgin Money accepted the provisional decision. Mr D did not accept the provisional decision. He made a number of points. In summary, he said it was unfair for Virgin Money not to ask him how the bills were split with his financial associate, and as Virgin Money didn't discuss anything with his financial information then the information was doubtful.

Mr D says that the figures used for his unsecured debt were inaccurate as he didn't have £808 of non-revolving debt and he had taken out a £4,600 loan in May 2015, and he was overdrawn by £2,663, which was over his arranged overdraft limit at the time Virgin Money approved the application. He said if Virgin Money would have completed further checks then they would have seen he took out £1,600 from one provider and £4,600 from another provider. And they would have seen plenty of evidence of erratic gambling, and cash withdrawals on his bank statements, and he said his debt rose due to gambling, which was out of control.

Mr D said he was reliant on his overdraft, and his bank statements showed that in October 2015, his wages credited the account, but he was overdrawn. He said he was using credit from another provider to gamble with (a third party payments and credit provider).

Mr D said his Virgin Money credit card was used for excessive gambling, and his Feb-March 2017 statement showed seven transactions to an online gambling firm for a total of £967 over days. He said his payment of £99.90 had failed on 19 March 2018, and was only paid three days later with help from his family who were worried he would lose his home. He said his March statement would show transactions to gambling companies when they increased the credit limit and he had exceeded the credit limit.

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.

Firstly, I'm aware that I've only summarised Mr D's complaint points. And I'm not going to respond to every single point made by him. No courtesy is intended by this. It simply reflects the informal nature of our service as a free alternative to the courts. If there's something I haven't mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual point to be able to reach what I think is a fair outcome.

I'd like to thank Mr D for his response to the provisional decision, in which he's told me a number of things about his personal and financial situation. I won't document all of these things in this decision to protect Mr D's identity, but I can assure him that I've read everything he's said and sent to us.

I've considered what Mr D has said about the information about his financial associate's income in 2015 was doubtful. But Mr D had declared this as part of the application form. I note that Mr D hasn't said this information was incorrect, but that they should have checked this and the split of the outgoings.

But as Mr D had declared this, then it wouldn't be clear why he would declare an incorrect income figure if this wasn't correct as Virgin Money could consider this to be fraudulent if he did tell them inaccurate information on his application. I must stress to Virgin Money that I believe that Mr D is trying to make a point here, and he has just likely forgot that he told Virgin Money income other than his own, which is understandable given the application was made over 10 years ago. I set out in the provisional decision why Virgin Money were reasonable to look at household income with their affordability assessment.

I've considered what Mr D has said regarding additional debt he had taken out. As Virgin Money received information from a CRA, then it wouldn't be proportionate for them to also ask Mr D for his credit file. I can't hold Virgin Money responsible for information a CRA has given them. It could be that his lenders do not report to all of the different CRA's, or it could be because it typically takes a credit file 4-6 weeks to update, and the updates were made slightly after Virgin Money completed their checks, but ultimately, Virgin Money couldn't have reasonably have known that Mr D had taken further credit just before this application. As a credit file takes some time to be updated, then this could be another reason why he wasn't showing as exceeding his overdraft.

So although Mr D has said if Virgin Money completed further checks here then they would have seen his overdraft and his erratic gambling and cash withdrawals, it wouldn't have been proportionate for Virgin Money to have made further checks here as from the information they received, it appears he only had a total of £808 unsecured debt, the new credit limit was 12.5% of his declared gross annual income, and he had no adverse

information being reported to the CRA's so it wouldn't have been proportionate to have made further checks here.

But I do agree with Mr D that it was proportionate for Virgin Money to make further checks for the credit limit increase to £5,000 for the reasons I set out in the provisional decision. But I said in the provisional decision the following "*Mr D does enter an arranged overdraft for the majority of the time I looked at. But utilising an arranged overdraft does not automatically equate to a £1,000 credit limit increase not being affordable. I could not locate any returned direct debits, or any mention of Mr D exceeding his arranged overdraft limit. Mr D transferred money to a joint account (presumably for his share of the household bills). And his statements showed he had disposable income for non-priority expenditure. There were no patterns of gambling transactions in this timeframe which would give Virgin Money cause for concern.*"

Mr D has mentioned payments made to a third party payments/credit provider. And while there are a number of these payments on the statements I looked at, they do not give any indication that the payments were used for gambling. So on this basis, it also wouldn't have been proportionate for Virgin Money to have asked Mr D for statements from this third party leading up to the credit limit increase. Withdrawing cash from a bank account is a common thing a lot of people do, so I'm not persuaded that this should have prompted further checks.

I've considered what Mr D has said about his gambling on the Virgin Money credit card. But at the time Mr D used this, it was a legitimate, albeit an expensive way, to use his available credit. It's clear from Mr D's February/March 2017 statement that he did use the Virgin Money credit card to gamble with, but from the data I've seen, this was not reflective of Mr D's usual pattern with the credit card, as there are not monthly transaction fees being charged each month.

The data shows that in the month after the credit card statement that Mr D refers to where he spent £967, Virgin Money's data for the following statement shows he made credits to the account of £975.98. Three months after this he made credits totalling £1,659.19.

Mr D's balance on his Virgin Money credit card had gone from £5,820.39, and it had fallen in 10 consecutive months after this to £2,837.09, so the previous gambling transactions were not reflective of how Mr D was using his account leading up to the last credit limit increase.

While Mr D had taken cash/money transfers in the month leading up to the last credit limit increase, I'm not persuaded that Virgin Money could have foreseen that Mr D would have used these for gambling (if he did), as previously he had gambled with the credit card, so with him taking cash/a money transfer now, then I can't fairly say that this should have prompted further checks from Virgin Money when Mr D stayed within his credit limit.

Mr D has told us about what happened in March 2018 and his failed payment. And I'm empathetic to his circumstances here. The last credit limit increase happened on 5 March 2018, but the things Mr D has told us about happened after this date. As he will be able to see from his March statement (which was produced after the credit limit increase, the gambling transactions only fully debited his account on 6 March 2018, and this was the date the cash advance fees debited his account also.

Mr D's total unsecured debt had fallen since the last credit limit increase. And it had fallen from the month earlier also based on what the CRA told Virgin Money, so it wouldn't appear that Mr D was borrowing from other lenders since his unsecured debt had fallen since the last credit limit increase and even further from the month prior to the lending checks. This data would suggest Mr D was in control of his finances and he was able to not only service his debt, but to reduce this also. So I can't conclude that Virgin Money should have done

anything differently here, or that they treated Mr D unfairly here.

In summary, Mr D's response hasn't changed my view, and my final decision and reasoning remains the same as in my provisional decision. If Mr D is disappointed, I hope he understands my reasons.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 14 January 2026.

Gregory Sloanes
Ombudsman