

The complaint

Mr R complains about Clydesdale Bank Plc trading as Virgin Money's (Virgin) decision to lend to him and about their management of his credit card account.

What happened

In April 2020, Mr R took out a credit card with Virgin. The card had an initial credit limit of £5,800. In August 2021, Virgin increased Mr R's credit limit to £10,700, before increasing it again to £14,000 in August 2023.

In December 2024, Mr R complained to Virgin that they'd failed to adhere to the Financial Conduct Authority's (FCA) guidance on responsible lending and managing persistent debt, which he said had resulted in causing him significant financial hardship, distress and was impacting his mental health.

Virgin responded to Mr R's complaint in January 2025. They didn't agree they'd acted incorrectly by lending to him and said they deemed the account and the credit limits agreed to be appropriate given his circumstances at the time approved.

Regarding their management of persistent debt, Virgin said they sent a letter to Mr R in March 2024 letting him know his account had been in persistent debt for 18 months. They said the letter told Mr R what options were available to support him if he was struggling with his payments, but that they had not then been made aware of his circumstances prior to his complaint being made and repayments to the account continued to be made.

Virgin said, while they were unable to agree with most of the service concerns raised, they upheld one specific concern regarding Mr R being contacted multiple times by their collections team while his complaint was ongoing. As a marker could be applied to stop this and hadn't been on this occasion, Virgin paid £50 to Mr R's account to compensate him for the distress and inconvenience caused.

Mr R said Virgin's response hadn't fully addressed his complaint, so he referred his complaint to the Financial Ombudsman Service. He was unhappy:

- Virgin had acknowledged persistent debt but allowed further borrowing,
- Virgin continued to apply interest and fees while his complaint was ongoing,
- he continued to receive debt collection calls despite Virgin's acceptance a hold should have been applied to stop these, and
- Virgin's response to his Data Subject Access Request (DSAR) was incomplete.

Mr R said Virgin's refusal to stop interest, fees and negative credit reporting was in breach of the FCA's regulations, and he requested these actions be paused immediately while our investigation into his complaint was ongoing.

While waiting for our service to look into things, Mr R received a default notice warning, so he also escalated his complaint with Virgin, reiterating the severe impact on his mental health that the situation was having.

Virgin responded letting Mr R know the action taken in respect of persistent debt and his DSAR request had been completed correctly. Virgin also confirmed interest, fees and negative credit reporting was being applied correctly and would continue, but they acknowledged he'd continued to receive debt collection calls, apologising for any additional stress caused.

Virgin also apologised for Mr R feeling it had taken multiple requests for his complaint to have been escalated and that his concerns had been dismissed and ignored. Upholding this element of his complaint, they offered him a further £100 for any further distress and inconvenience caused.

One of our Investigators looked into things, saying she didn't think the checks Virgin had carried out before making their lending decisions were proportionate. Our Investigator went on to say that had Virgin completed, what she considers would've been proportionate checks, the results of those checks would've shown the initial credit limit provided was neither affordable nor sustainable for Mr R. As such she didn't think Virgin ought to have opened the account or lent to him.

Addressing Mr R's additional concerns, our Investigator said:

- she thought Virgin had acted fairly in their handling of both Mr R's persistent debt and financial difficulties,
- she thought Virgin had acted fairly in their handling of Mr R's complaint, and
- she thought virgin had acted fairly in their handling of Mr R's DSAR, but she said if he had concerns about how his data was being managed, he'd need to refer those concerns to the Information Commissioners Office (ICO).

Mr R responded to say he broadly accepted our Investigator's opinion but clarified that prior to him missing a payment in January 2025, he'd repeatedly contacted Virgin to dispute the debt, telling them it was inappropriate for them to continue to demand payment while his complaint remained unresolved.

Mr R added his failure to engage with the collection's agent was to safeguard his mental health, and he wanted it noted he had not accepted the £50 compensation Virgin previously paid.

Virgin didn't agree with our Investigator's opinion to uphold the complaint, adding that with regard to the 2023 credit limit increase, Mr R's account was not considered to be within the sights of persistent debt at the time, rather it was after the increase this trigger was met.

Because a resolution couldn't be reached, this case has been passed to me to decide.

I sent both Mr R and Virgin my provisional decision on 5 December 2025. I explained I'd reached a different outcome to that of our Investigator. In my provisional decision I said:

'How we handle complaints about irresponsible and unaffordable lending is explained on our website. It's this approach I've used when deciding Mr R's complaint. Virgin needed to ensure that they didn't lend irresponsibly, which in practice means they needed to carry out proportionate checks to be able to understand whether any lending was affordable for him

before agreeing to provide the credit.

The rules that apply to credit agreements are set out in the FCA's consumer credit sourcebook (CONC). Section 5.2A of CONC is relevant here, as – among other things – it talks about the need for businesses like Virgin to complete reasonable and proportionate creditworthiness assessments before agreeing to lend someone money.

I've considered these rules by asking the following questions:

- Did Virgin complete reasonable and proportionate checks to satisfy themselves Mr R would be able to meet the repayments of the borrowing without experiencing significant adverse impact on his financial situation?
 - If they did, was their decision to lend to Mr R fair?
- Did Virgin act unfairly or unreasonably in any other way?

Did Virgin complete reasonable and proportionate affordability checks, and did they go on to make a fair lending decision?

What's considered reasonable and proportionate in terms of the checks a business undertakes will vary depending on the details of the borrowing and the consumer's specific circumstances at the time.

Initial account opening £5,800 – April 2020

Here, Virgin approved a credit card for Mr R with a limit of £5,800, around £3,000 of which was requested to pay off a credit card balance held elsewhere.

A credit limit of this size meant if Mr R was to have utilised the full limit straightaway, he would have needed to have made monthly repayments of around £400 to have paid back the borrowing within a reasonable period of time.

So, I think, in the first instance, Virgin approved a fairly substantial credit limit for Mr R, both in respect of the amount of credit provided to him and in terms of the monthly repayments I think they ought to have factored in. So, my starting point is that I'd expect to see Virgin to have gained an understanding of Mr R's financial situation proportionate to the credit in question.

At the time of his application, Mr R declared his gross annual income as being £36,527 and that he had access to a total gross household income of £49,000.

Section 5.2A.12R 2 b of CONC says:

'The firm must consider the customer's ability to make repayments under the agreement:

(2) out of, or using, one or more of the following:

(b) ... Income received by the customer jointly with another person or income received by another person in so far as it is reasonable to expect such income to be available to the customer to make repayments under the agreement'

Virgin have confirmed, as was the case on this occasion, that they only use a household

income when calculating affordability where a financial associate of the applicant is identified via the credit reference agencies (CRAs).

Virgin then completed a current account turnover (CATO) check and verified Mr R's net household monthly income as being £3,365. Looking at the household figure declared, this verified figure is in line with what I'd expect for joint gross incomes of £36,527 and around £12,500 to be, so I'm satisfied it was reasonable for Virgin to have had confidence when relying on this figure.

In addition to verifying Mr R's household income, Virgin also completed a credit check with the CRAs to help them understand how he managed both his current and existing finances.

Virgin say the credit check showed them Mr R had not defaulted recently on any credit accounts or been subject to any County Court Judgements. They also saw he'd not taken any cash advances against credit in the three months prior to the application.

Virgin said they were aware Mr R had missed or been late making one payment across all of his credit accounts in the six months prior to the application, but that this had been brought back into order by the time of the application and that they saw no other signs of arrears across any of Mr R's other accounts throughout the same period.

From the credit check carried out, Virgin saw Mr R had outstanding unsecured debts totalling around £8,800 to which he was committed to repaying around £500 each month. They also knew Mr R was a homeowner with a mortgage commitment of £824 a month.

Virgin took these figures and then calculated his other household essential expenditure to be around £1,150 a month, leaving a monthly household disposable income of around £877.

Virgin haven't provided a breakdown of what they used to calculate this figure, but I'm satisfied the amount feels reasonable, in addition to Mr R's mortgage and existing credit commitments. I say this because when looking at the calculations reached by our Investigator, Mr R's essential expenditure excluding towards his mortgage and credit appeared to be marginally less – averaging around £920 a month.

So, in summary, Virgin verified Mr R's household income, before taking his actual mortgage and credit commitments and adding his likely other essential spend to calculate he had a monthly disposable income of around £877.

While I acknowledge a missed or late payment isn't ideal, in this case, the missed payment appeared in isolation when looking at the other data the credit check returned. And given the disposable income Virgin calculated, alongside the credit limit they were looking to agree, some of which was to move Mr R's existing credit on to a 0% promotional rate, I wouldn't expect Virgin to have done more.

I'm satisfied their checks were reasonable and proportionate. I'm also satisfied they made a fair lending decision based on the outcome of those checks, so I'm not upholding this complaint about the initial account opening.

Credit limit increase to £10,700 – August 2021

Virgin increased Mr R's credit limit to £10,700. This meant if he was to have utilised the full limit straightaway, his monthly repayments would need to have increased to around £700 to have paid back the borrowing within a reasonable period of time.

So here, I think Virgin approved a significant credit limit for Mr R that was a substantial

increase to the credit limit he'd previously had access to. So, my starting point is that I'd expect to see Virgin to have ensured they had a good understanding of Mr R's current financial situation proportionate to the credit in question.

At the time of Virgin increasing Mr R's credit limit, around 17 months had passed since they'd verified his household income.

Virgin could see Mr R had maintained his account well since its opening, running it within the limit and making repayments marginally over the contractual amount each month. They could see he'd made three modest money transfers, all of which took advantage of a 0% interest rate and aside from the interest-free balance, that he'd used the card only very sporadically for other spending.

From information provided by the CRAs, Virgin could see Mr R's unsecured outstanding debt remained at around £8,800 in total, and they said his bureau and Consumer Indebtedness Index (CII) scores were excellent.

Overall, I don't think Virgin saw anything to suggest Mr R's circumstances had changed substantially since their initial lending decision, nor do I think they saw anything that ought to have prompted them to have done more.

In summary, I don't think the checks Virgin completed ought to have given them any concern that Mr R's circumstances had changed, he had been managing his account well and his overall indebtedness had not increased, despite his access to credit having increased at the time of the account opening. So again, regarding this credit limit increase, I'm satisfied their checks were reasonable and proportionate. I'm also satisfied they made a fair lending decision based on the outcome of those checks, so I'm not upholding this complaint about the August 2021 limit increase.

Credit limit increase to £14,000 – August 2023

On this occasion, Mr R asked Virgin to increase his credit limit to £14,000. This meant if he was to have utilised the full limit straightaway, his monthly repayments would need to have increased to around £980 to have paid back the borrowing within a reasonable period of time.

So here, I think Virgin again approved a significant credit limit for Mr R that was a substantial increase to the credit limit he'd previously had access to. So, my starting point is that I'd expect to see Virgin to have ensured they had a good understanding of Mr R's current financial situation proportionate to the credit in question.

At the time of Virgin increasing Mr R's credit limit, around over three years had passed since they'd verified his household income however, I can't say from what I've seen they'd any reason to have had concern his income wasn't the same.

Virgin could see Mr R had continued to maintain his account within the limit since the previous increase and from information provided by the CRAs, they could see his up-to-date unsecured outstanding debt. Virgin said Mr R's bureau and Consumer Indebtedness Index (CII) scores at the time supported that he was managing his finances exceptionally well.

Overall, I'm satisfied Virgin completed reasonable and proportionate checks before deciding to increase Mr R's credit limit again. But just because I think Virgin had enough information to make a fair lending decision, this doesn't automatically mean on this occasion I think Virgin went on to make a fair lending decision.

Here, Mr R requested his credit limit to be increased to facilitate a balance transfer of around £9,700 to another lender. But while Virgin knew this amount was going to repay other lending and as they point out, meant Mr R benefited from an interest-free rate, they still needed to be satisfied he was able to sustainably repay the additional borrowing of £3,300 they went on to agree. I say this because there was nothing to prevent Mr R utilising his external credit limits elsewhere after the balance transfer had paid his debt off.

Virgin again could see how Mr R had been managing his account, alongside having sight of information they'd obtained from the CRAs. And despite Virgin saying they were satisfied he was managing his finances exceptionally well, I disagree and think they ought to have seen signs he was stuck in a cycle of debt. I'll explain why.

Shortly after Virgin agreed the previous increase to Mr R's credit limit in 2021, he completed a money transfer to his account for £5,200. Between then, and Virgin increasing his limit again, he completed a further three money transfers totalling £1,950.

While I acknowledge all the above transfers took advantage of a 0% promotional rate, at the same time they indicated a pattern of Mr R relying on credit to access cash. Further, just prior to this lending decision, Mr R used to credit card to make a cash advance of just over £500. This was a higher rate form of borrowing on the card and incurred a fee, not the behaviour of someone managing their finances exceptionally well.

Regarding his previous repayment behaviour, Virgin could see Mr R initially made only his minimum contractual repayments following the 2021 limit increase, before in August 2022, repaying around £9,000, likely facilitated by a balance transfer to another card. And at the same time as repaying this substantial amount, Mr R made the first of the three money transfers previously mentioned, on this occasion borrowing £1,000.

Externally, Virgin say Mr R's bureau and CII scores remained excellent, but they could see that since their previous lending decision, both had declined. They could also see his unsecured debt had increased to around £22,000 in total since their last lending decision, an increase of around 150% with around £13,700 of that being revolving debt, a 208% increase.

In March 2024, Virgin went on to send Mr R a letter advising him his account was classed as being in persistent debt and that over the 18 months prior, he'd paid more in interest, fees and charges than the balance he owed.

I acknowledge Virgin say Mr R's account was not within the sights of persistent debt until after their 2023 lending decision, but I think from the information they gathered both internally and externally, they ought to have seen Mr R's borrowing was showing a pattern of consistently increasing and had been over the two years prior. While it might have been prudent of Mr R to seek 0% borrowing, I think it was clear he was stuck in a pattern of shifting his debt around as opposed to paying it off and I don't think Virgin acted fairly by increasing his credit limit above £10,700, exposing him to further access to credit.

I'll set up what I think Virgin needs to do to put things right here later. First, I'll address Mr R's other concerns.

Did Virgin act unfairly or unreasonably in some other way?

Virgin's actions throughout the ongoing complaint and reporting of adverse data

Mr R says Virgin's continuation to apply adverse credit markers while his complaint is

ongoing is unfair, and goes against CONC guidance. But a firm has a responsibility to record accurate data, in this case being that Mr R had stopped making his contractual repayments and has fallen into arrears against the balance he owes.

CONC 7.14.1R says: 'A firm must suspend any steps it takes, or its agent takes in the recovery of a debt from a customer where the customer disputes the debt on valid grounds or what may be valid grounds.'

This would include calls made by their agents to pursue the repayment of debt, calls which Mr R says continued for a period of time even after Virgin acknowledged a marker should have been applied to his account to stop these.

Mr R had been honest in sharing the distress this matter had caused him and how it has contributed to the impact on his mental health. Virgin apologised for the calls Mr R received and paid him £50. But I don't think this amount fairly reflects the impact of their error on him.

Mr R says he received around 20 calls or SMS text messages chasing him for payment. I think £150 in total for this error is reasonable in the circumstances here. So, I think Virgin should pay Mr R a further £100.

But while CONC 7.14.1R refers to pursuing the repayment of debt, that doesn't mean Virgin needed to stop applying fair interest or charges to the account or accurately report the status of the account to the CRAs.

While guidance does suggest that reporting adverse information to CRAs while a complaint or dispute is unresolved could be considered unfair, unless the firm has taken reasonable steps to ensure accuracy, I've not seen anything to suggest that Virgin's reporting isn't an accurate reflection of the account at the time, so I can't say they were wrong for reporting the account status as they did.

Other service issues

In their further complaint response to Mr R, Virgin apologised for the previous handling of his complaint and upheld this element of it - that previously he felt his concerns had been dismissed and ignored. Virgin offered Mr R £100 in compensation, however because he didn't accept this it hasn't been paid. Virgin have confirmed this offer remains available should he now accept it.

I've also considered whether Virgin acted unfairly or unreasonably in some other way given what Mr R's complained about, including whether it's relationship with him might have been unfair under s.140A Consumer Credit Act 1974.

However, for the same reasons I've set out above, I've not seen anything that makes me think this was likely to have been the case – in addition to what I think the redress I'll now set out fairly puts right.

I went on to say because I don't think Virgin should've increased Mr R's credit limit to £14,000 in August 2023, I don't think it's fair for them to benefit from any interest and charges in relation to above the previous credit limit of £10,700 – but, that as Mr R has had the benefit of all the money he spent on the account, I think it's fair he pays this back. So, to put things right I said I think Virgin should:

'Rework the account by removing all interest, fees, charges and insurances (not already refunded) that have been applied to balances above £10,700 after August 2023.

- *If the rework results in a credit balance, this should be refunded to Mr R along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement. Virgin should also remove all adverse information recorded after September 2023 regarding the account from Mr R's credit file.*
- *Or, if after the rework, the outstanding balance still exceeds £10,700, Virgin should arrange an affordable repayment plan with Mr R for the remaining amount. Once Mr R has cleared the outstanding balance, any adverse information recorded after August 2023 in relation to the account should be removed from his credit file.*
- *Pay Mr R £100 in line with the offer previously made to him.*
- *Pay Mr R a further £100 to compensate him in relation to the collections action they failed to stop.*
- *In total, in addition to the £50 already paid, Virgin should pay Mr R a total of £250 in compensation for distress and inconvenience.'*

Mr R accepted my provisional decision but wanted to express how difficult he'd found this process, highlight the detriment to both his financial and emotional wellbeing and request matters to be finalised as soon as possible.

Virgin also responded, but they disagreed with my provisional decision. They didn't think using a figure of circa 7% was reasonable or consistent when calculating Mr R's monthly repayments should he have utilised the full limit approved, adding he'd benefited from a 0% promotional offer and his payments equated to 1% of his balance (plus fees and interest).

Virgin also said while they acknowledged Mr R's unsecured debt had increased, it was still only approx. 60% of the salary quoted on his application, which was not excessive. Virgin said the limit increase from £10,700 to £14,000 was fully in line with their strategy with Mr R showed no signs of financial stress at the time of the decision.

Finally, Virgin wanted clarity as to what distress and inconvenience payments my provisional decision was asking them to pay.

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, while I've considered Virgin's comments carefully, I've not been persuaded to reach a different outcome to the one I reached previously. I'll explain why.

CONC 5.2A.27R (1) says "In relation to entering into a regulated credit agreement for running -account credit, the firm must assume that the customer draws down the entire credit limit at the earliest opportunity and repays by equal instalments over a reasonable period".

While I acknowledge my repayments were much high than any contractual repayments that would've been due, this was to ensure the balance was repaid within a reasonable amount of time. In addition, while initially Mr R was taking advantage of a promotional 0% rate, I don't think it could be assumed that he would have cleared the balance prior to that rate ending and interest being charged.

But in any case, my reasons for concluding Virgin's decision to increase Mr R's limit to

£14,000 was unfair, don't hang on his ability to repay my estimated monthly repayments.

Virgin remain of the opinion Mr R did not show any signs of financial stress at the time – but I disagree. I won't repeat here in detail what I've already set out above, but ultimately, I think it ought to have been clear to Virgin Mr R was stuck in a cycle of debt and that his unsecured debt had risen significantly since his limit was increased previously. For these reasons and those set out in my provisional decision I remain of the position that I don't think Virgin acted fairly by increasing Mr R's credit limit above £10,700.

I've already clarified with that I think Virgin need to pay Mr R a further £200 compensation for distress and inconvenience, in addition to the £50 already paid.

I've considered Mr R's comments regarding the impact this situation has had on him, but I remain satisfied this amount is both fair and reasonable, alongside the other redress I've set out in order to conclude this matter.

Putting things right

As, I don't think Virgin should have increased Mr R's credit limit to £14,000 in August 2023, I don't think it's fair for them to benefit from any interest and charges in relation to above the previous credit limit of £10,700.

Mr R has had the benefit of all the money he spent on the account – so it's fair he pays this back. Therefore, I think Virgin should:

- Rework the account by removing all interest, fees, charges and insurances (not already refunded) that have been applied to balances above £10,700 after August 2023.
- If the rework results in a credit balance, this should be refunded to Mr R along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement. Virgin should also remove all adverse information recorded after September 2023 regarding the account from Mr R's credit file.
- Or, if after the rework, the outstanding balance still exceeds £10,700, Virgin should arrange an affordable repayment plan with Mr R for the remaining amount. Once Mr R has cleared the outstanding balance, any adverse information recorded after August 2023 in relation to the account should be removed from his credit file.
- Pay Mr R a further £200 to compensate him for any distress and inconvenience caused, in addition to the £50 already paid.
- When matters here have concluded, Virgin ought to have paid Mr R a total of £250 in compensation for distress and inconvenience.

*HM Revenue & Customs requires Virgin to deduct tax from any award of interest. It must give Mr R a certificate showing how much tax has been taken off if they ask for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

My final decision

For the reasons set out, I uphold Mr R's complaint. To put things right, Clydesdale Bank Plc trading as Virgin Money should do as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 19 January 2026.

Sean Pyke-Milne
Ombudsman