

The complaint

Mr J complains Clydesdale Bank Plc trading as Virgin Money (Clydesdale) irresponsibly lent to him because it didn't carry out reasonable and proportionate checks to ensure the lending was affordable.

What happened

Mr J first applied for a credit card with an initial credit limit of £3,500 on 19 February 2023. The balance was cleared by June 2023, and the account was then closed. He opened a second credit card account on 6 February 2024 with an initial limit of £2,500.

Mr J complained to Clydesdale about the lending decisions on 12 October 2024. He was concerned Clydesdale had provided him with further credit when he was over-indebted and had applied for multiple lines of credit in a short space of time. He said had Clydesdale obtained his bank statements it would have seen he was compulsively gambling. He was vulnerable and feels the credit provided by Clydesdale worsened his situation.

Clydesdale responded to the complaint on 21 November 2024. It said it had completed reasonable and proportionate checks to ensure the lending was affordable. It felt the lending decisions had been fair.

Mr J remained unhappy and asked our service to investigate. Our Investigator looked into things and explained why he felt the complaint shouldn't be upheld.

Mr J didn't agree with our Investigator's findings. He provided further information to support his complaint. In summary, he said:

- His complaint isn't that Clydesdale should never rely on data from credit reference agencies (CRAs) or current account turnover models. However, given his particular profile at the time, he feels relying on those automated models *alone* wasn't reasonable or proportionate under CONC 5.2A.
- He was self-employed with variable gross income. He paid his own tax and national insurance as well as business costs. The verified income figures treated gross turnover as if it were spendable income. His self-assessment shows his true taxable income of £28,510 per annum (circa £2,040 per month).
- His fixed outgoings already included a £2,118 mortgage, a loan (not shown on the credit search), lease payments and other existing credit commitments. On the real figures, his fixed monthly outgoings were already above his true disposable income, and his debt-to-income (DTI) ratio was well over 100%.
- A proportionate, borrower-focused check for a self-employed customer with the profile he had (high mortgage, high DTI, and non-income inflows on the statements) would reasonably have included targeted verification before granting additional revolving credit. This might have included a short bank statement or self-assessment form.

As Mr J didn't agree with our Investigator's findings, the case has passed to me to decide.

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.

I want to provide assurance that I've considered everything which has been provided to me. Mr J has taken time to make detailed submissions to our service. I want to explain that where a specific point hasn't been mentioned it isn't because it hasn't been considered, but because I don't think I need to comment on it to reach the right outcome here. I have focused on setting out the reasons for the decision I have reached. I've also considered the relevant rules and regulations in place at the time of the lending decisions. This includes those rules set out in the Financial Conduct Authority's specialist sourcebook "CONC".

Our approach to irresponsible and unaffordable lending complaints is set out on our website. In summary, I need to consider if Clydesdale carried out reasonable and proportionate checks to satisfy itself that Mr J would be able to repay the credit sustainably. If it did, I need to think about whether it made a fair lending decision. However, if it didn't carry out appropriate checks, I need to think about whether proportionate checks were likely to have shown the lending was affordable and sustainable.

It's not about Clydesdale assessing the likelihood of being repaid, but it had to consider the impacts of the repayments on Mr J. There is no set list of checks that it had to do, but it could take into account several different things such as the amount and length of the credit, the amount of the monthly repayments and the overall circumstances of the borrower. It's also important to note that the lending being provided was a type of revolving credit. This meant Clydesdale needed to consider whether Mr J would be able to sustainably repay the total amount of credit being provided within a reasonable period.

Credit card one - February 2023

I've reviewed the application data provided by Clydesdale and I can see Mr J declared he was self-employed with a gross annual income of £80,000. This income was verified using a current account turnover tool. It verified Mr J's net monthly income to be around £4,482.05. I appreciate Mr J feels strongly that Clydesdale shouldn't have relied on this automated check to verify his income particularly because he told them he was self-employed.

However, I'm satisfied it was reasonable in the circumstances. Clydesdale utilised data from an independent third party to verify what had been declared. I can't reasonably conclude it ought to have carried out further checks into Mr J's income (such as obtaining a self-assessment tax return form or bank statement) in the circumstances. Having reviewed the information Clydesdale had at the time, I see no reason for it to have been concerned this wasn't what Mr J was earning at the time.

Clydesdale also completed a credit search. Mr J has raised concerns about the information obtained which I'll come back to below. Clydesdale found Mr J's mortgage repayments were £868 and his other monthly debt commitments to be around £382. In its affordability assessment it recorded Mr J's overall outstanding credit balance as around £18,756. Clydesdale had confirmed the affordability assessment took into account Mr J's request for a balance transfer when assessing his existing commitments.

Having thought about the declared income, I don't think there was anything to suggest that Mr J was overindebted or might be reliant on credit. There was some adverse information on the credit search, this included a county court judgment (CCJ) and a default. However, the

credit information showed the most recent delinquent information as being recorded 46 months prior to the lending decision. This was sometime before and I don't think necessarily ought to have prompted more thorough checks as his circumstances seemed to have improved.

Clydesdale went on to estimate Mr J's essential expenditure as £1,484.86 and calculated his monthly net disposable income as being £1,629.18. This was after accounting for Mr J's mortgage payment, credit commitments, and essential spend. It felt the lending was affordable on this basis.

Having considered everything, I'm satisfied the checks went far enough here. As mentioned, I need to think about whether Clydesdale did enough to reasonably assess whether Mr J would be able to sustainably afford to repay the total credit being provided within a reasonable period. The credit limit being provided here was £3,500. This isn't an insignificant amount of money, but a sustainable monthly repayment wouldn't have been a significant proportion of the net monthly income declared and verified. There also wasn't any recent adverse information on the credit search and Mr J didn't seem to be over reliant on credit. So, I'm satisfied the checks were proportionate here and there isn't anything which would lead me to conclude Clydesdale ought to have done more.

Having decided this, I must also think about whether Clydesdale made a fair lending decision based on the information obtained. I've outlined what information Clydesdale saw from the checks and how it calculated a monthly net disposable income of £1,629.18. I'm satisfied it was fair for Clydesdale to lend to Mr J on this occasion because the affordability assessment reasonably demonstrated that Mr J would have enough disposable income remaining to sustainably repay the credit within a reasonable period of time.

I appreciate Mr J has highlighted some additional lines of credit which don't seem to have been captured in Clydesdale's affordability assessment. This seems to have included a lease agreement and a higher revolving credit balance. The information was provided by an independent CRA and it was reasonable for Clydesdale to have relied on it. In respect of the revolving credit balance, Clydesdale have confirmed Mr J had requested a balance transfer of £3,000. So, it accounted for this in its affordability assessment as it didn't expect that giving Mr J a new credit card would increase his overall indebtedness, as the balance on an existing card would be transferred over.

For completeness and having reviewed Mr J's own credit file (which shows his active credit and balances at the time of the lending), I don't think the information on it would have prompted further checks in any event had it appeared on Clydesdale's credit search. I still think it would have found that Mr J would be left with sufficient disposable income after meeting the commitments shown. Mr J has also explained he took out a business loan as a sole trader, but this isn't on his credit file or reflected in the information which was obtained by Clydesdale.

Taking everything into careful consideration, I don't think Clydesdale did anything wrong by lending to Mr J here. It carried out reasonable checks and made a fair lending decision based on the information obtained.

Credit card two - February 2024

The application data shows Mr J declared he was self-employed with a gross annual income of £65,000. Clydesdale verified the income through a CRA which assessed his current account turnover. He declared an additional household income of £30,000 from his wife. Clydesdale calculated the total net monthly income to be £5,752.94. Again, I've noted what Mr J has said about being self-employed, but as Clydesdale independently verified the

income, I don't think there was anything to cause it concern that he might not be receiving what had been declared.

Clydesdale calculated affordability at a household level. It identified a monthly mortgage repayment of £2,118 and estimated essential expenditure of £1,930.39. The revolving debt repayment was for £52, and the non-revolving debt repayment was for £372. This left a household net disposable income of £1,280.55 which Clydesdale felt was sufficient to demonstrate the credit limit of £2,500 was affordable. It has confirmed the affordability calculation took into account household spend and any payments the financial associate may make separately.

In respect of the credit search, the data showed Mr J's total debts were around £21,586. He had no recent arrears. The CCJs and default still showed, but the most recent delinquent information was now 57 months prior to the lending decision. As above, Mr J requested a balance transfer of some of his existing credit commitments and so this was accounted for in Clydesdale's affordability assessment. I don't think that there was any reason for Clydesdale to expect Mr J might not use the card in this way and so I think this was reasonable.

Having considered everything, I'm satisfied the checks carried out were reasonable and proportionate here. Mr J's income had reduced but I don't think this would necessarily have been concerning given the amount being lent. I also appreciate this was Mr J's second application. However, he had already paid off and closed his previous account. So, I don't think this ought to have caused Clydesdale any concern or prompted it to carry out further checks.

I'm also mindful of the terms of the lending including the amount being borrowed and I'm satisfied the monthly repayments needed to repay the total credit within a reasonable period wouldn't be very significant particularly in proportion to Mr J's declared and verified income at the time. Therefore, I'm satisfied Clydesdale carried out reasonable and proportionate checks by verifying Mr J's declared income, estimating household spend and considering existing credit commitments.

Additionally, I'm satisfied that based on the information obtained, Clydesdale made a fair lending decision. It estimated household disposable income of £1,280.55 per month. Therefore, it reasonably seemed Mr J would have sufficient disposable income to be able to sustainably repay the credit. Also, I don't think there was anything in the way Mr J was managing his credit which might have suggested to Clydesdale that it would otherwise be irresponsible to lend to Mr J particularly where it seemed it would be affordable to him.

Taking everything into consideration, I'm satisfied the checks completed were reasonable and proportionate and Clydesdale made a fair lending decision based on the information obtained. So, I won't be asking Clydesdale to do anything to resolve this complaint.

Other

I appreciate Mr J has said he was compulsively gambling at the time of the lending decisions and this would have been clear from his bank statements. However, I'm satisfied any further checks would have been disproportionate in the circumstances so I can't conclude this is something which Clydesdale ought reasonably to have discovered. There wasn't anything else in the information it saw which might have demonstrated to it that it would otherwise be irresponsible or unaffordable to lend to Mr J.

Even if I were to conclude Clydesdale ought to have done more, it would have been disproportionate for it to have gone as far as to check bank statements in light of the amount being lent. It might have asked Mr J about his essential spend but I think it's unlikely it would

have discovered anything to suggest the lending would be irresponsible or unaffordable. To reiterate, I don't think it needed to carry out any further checks for either of the lending decisions.

I'm also mindful balance transfer cards with promotional interest rates can help consumers reduce overall credit balances more quickly. Clydesdale could expect Mr J to utilise the balance transfer option as he'd requested it when he applied, and I think this further speaks to the affordability and sustainability of the lending. He did go on to make balance transfers when both accounts were opened.

Therefore, there isn't anything else I've seen which suggests the lending was irresponsible or unaffordable.

Did Clydesdale act unfairly or unreasonably towards Mr J in some other way?

Mr J has confirmed he only ever paid the minimum repayment amount. Minimum repayments might be a sign of financial difficulty because it can mean credit takes longer to repay and is more expensive. In respect of the first card, Mr J paid this off in under five months and I've seen the balance confirmed in the statement from June 2023. So, I don't think there was anything here which Clydesdale ought to have been concerned about.

In respect of the second credit account, Mr J opened it in February 2024 and complained in October 2024. This period of time wasn't significantly long, and I don't think Mr J's repayments ought to have caused Clydesdale concern about his ability to repay. There wasn't anything in the information I've seen to suggest Clydesdale ought to have been aware Mr J might be struggling. Overall, I haven't seen anything which persuades me Clydesdale ought to have done anything more here.

Mr J has now made Clydesdale aware of his financial difficulties, and I'd remind it of its obligation to treat Mr J with reasonable forbearance and due consideration.

I've also considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Clydesdale lent irresponsibly to Mr J 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.

My final decision

For the reasons outlined above, I'm not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 12 March 2026.

Laura Dean
Ombudsman