

The complaint

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

What happened

Miss F was approved for a Virgin Money credit card in June 2022, with a £4,000 credit limit. The credit limit was increased to £8,000 in May 2024. Miss F says that this was irresponsibly lent to her, and she made a complaint to Virgin Money.

Virgin Money did not uphold Miss F's complaint. They said that they were unable to agree they acted incorrectly as the credit limits were appropriate given her circumstances at the time they were approved. Miss F brought her complaint to our service. Our investigator did not uphold Miss F's complaint. She said that Virgin Money should have completed further checks for the credit limit increase, but further checks would have shown the lending was affordable.

Miss F asked for an ombudsman to review her complaint. She made a number of points. In summary she said she was already overindebted when she was approved for the Virgin Money credit card, and her income could not support the borrowing, Virgin Money incorrectly relied on household income, since 2020 she relied on balance transfers and using debt to pay debt, her credit file and payment history does not prove she had affordability for the credit limits given by Virgin Money. Miss F said the debt couldn't be repaid in a reasonable timeframe and she referred to another decision our service made.

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.

Firstly, I'm aware that I've only summarised Miss F's complaint points. And I'm not going to respond to every single point made by her. No discourtesy 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.

Although Miss F has referred to a different decision this service has made, I must be clear that our service judges each individual complaint on its own merits. While there can appear to be similarities between complaints, there may be differences between the complaint she's brought to our service and the separate complaint she's referred to. So to be fair to both parties, I'll be looking at the individual merits of the complaint Miss F has brought to our service.

Before agreeing to approve or increase the credit available to Miss F, 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 the Virgin Money credit card

The information showed that Miss F 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 F declared a gross annual income of £20,000. The CRA informed Virgin Money that Miss F had unsecured debt of £23,359 which £7,640 was for revolving debt (such as any credit cards/store cards/overdrafts she had). The remaining £15,899 was for non-revolving debt (such as personal loans/hire purchase agreements etc).

Virgin Money completed an affordability assessment for Miss F. But Miss F was showing as having a financial associate, so Virgin Money completed a household affordability assessment to see if Miss F would be able to afford repayments for the £4,000 credit limit.

I'm persuaded that it was fair for Virgin Money to expect Miss F 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 account, it wouldn't be fair to include outgoings that Miss F wouldn't be paying towards the household expenditure either.

But I do think it would have been proportionate for Virgin Money to have completed further checks here. I say this because Miss F had a debt to gross annual income ratio of 116.8%. And if Miss F used the full credit limit Virgin Money approved for her then this could have grown to 136.8% debt to declared gross annual income. The £4,000 credit limit was 20% of Miss F's declared gross annual income.

Miss F's income was a lot different to her financial associate's income. She earned less than half of what they earned, so if she paid for a 50/50 split of the outgoings, then she may not have the affordability to make sustainable repayments for a £4,000 credit limit.

So based on the debt to income ratio, Virgin Money not knowing the split of outgoings between Miss F and her financial associate, and the disparity in pay between herself and her financial associate, 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 F 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 F has provided her statements for a number of accounts she was named on leading up to this lending decision. One of the accounts had a £1,000 arranged overdraft limit, which Miss F was frequently using the majority of the overdraft. But using an arranged overdraft in its own right does not automatically equate to Miss F not being able to make sustainable and affordable repayments for further credit.

The joint account shows limited irregular credits from additional work Miss F completed. Miss F's sole account which her regular wages credited showed that her monthly income fluctuated between £620.12 - £708.21. I asked Miss F about her income. She said her

additional income was irregular, not guaranteed, and it didn't represent additional disposable income. If Virgin Money would have requested Miss F's statements then I'm persuaded that they would have seen Miss F's income fluctuated, and it would have been prudent to take the lower figures each month to ensure that repayments for a £4,000 credit limit would be affordable and sustainable for her.

As a lot of outgoings debited the joint account, I asked Miss F what bills she paid for. Miss F has split down what priority bills she paid for and these total around £1,122 a month. But there are likely things to be missing from this as I don't think she's taken into account the interest she was paying monthly on her account where she was overdrawn every month. I have also located other outgoings on her sole account that Miss F doesn't appear to have included these regular payments.

So Miss F's regular, more stable income barely covers her existing outgoings. I do think it's fair to include some of her additional income here based on the additional income being present in each of the three months I looked at, but I don't think it's fair to use the highest, or average figures as this is not guaranteed.

There is also evidence of Miss F receiving credits into her account from her dad. I asked Miss F about this. She told me that "payments from my dad were not income. These were amounts I had borrowed from him on a short-term basis to help cover essential costs when I was struggling financially. They were not regular, reliable, or disposable income".

So if Virgin Money would have made further checks, such as asking her for her regular income and outgoings, or viewing her bank statements, it would have been clear to them that her income largely fluctuated, one account was constantly overdrawn by three figures, and she was reliant on her dad to lend her money at times. They would have seen that Miss F was already overindebted and adding £4,000 to her unsecured debt, which was already at 116.8% of her declared gross income, would mean that Miss F would not be able to make sustainable and affordable repayments, so I'm not persuaded that Virgin Money made a fair lending decision here.

May 2024 credit limit increase - £4,000 to £8,000

If Miss F's application for the Virgin Money credit card wasn't approved, then it's probable that the further lending decision wouldn't have happened after this either. So I think there is an argument for saying that Miss F's complaint about the subsequent lending decision 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 June 2022, then I'm not persuaded that Virgin Money would've added to the credit."

I invited both parties to let me have any further submissions before I reached a final decision. Miss F accepted the provisional decision. Virgin Money did not accept the provisional decision. They said they remain confident the initial lend and credit limit increase were agreed on the basis of the information Miss F declared, proportionate checks, and the lending was responsible. They said this is further supported by the conduct of the account.

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.

Virgin Money are aware of my position regarding why further checks were needed here, so I won't reiterate this (and it is available earlier in this decision). While Virgin Money have said this is further supported by the conduct of the account, they would not know this at the time

of the checks for the lending decision. In addition to this, as Miss F's bank statements showed, she did at times need to borrow money to meet her outgoings, which would have likely come to light if Virgin Money had made further checks for the reasons I've previously given.

In summary, Virgin Money's response hasn't changed my view, and my final decision and reasoning remains the same as in my provisional decision. If Virgin Money is disappointed, I hope they understand my reasons.

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 F 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

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:

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 F 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 F's credit file;

Or, if after the rework there is still an outstanding balance, Virgin Money should arrange an affordable repayment plan with Miss F for the remaining amount. Once Miss F has cleared the balance, any adverse information in relation to the account should be removed from Miss F'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 F how much they've taken off. They should also give Miss F 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 F to accept or reject my decision before 11 February 2026.

Gregory Sloanes
Ombudsman