

The complaint

Mr L complains Clydesdale Bank PLC trading as Virgin Money (Virgin) failed to carry out thorough enough financial checks, before it approved a credit card account for him and subsequently increased the limit on that account.

What happened

Mr L says Virgin approved a credit card account for him in April 2021 with a credit limit of £3,000 and then increased the limit to £6,000 in November 2021. Mr L says he had fallen into persistent debt and if Virgin had carried out more thorough checks, as directed by the Financial Conduct Authority, it would have seen the borrowing was unaffordable.

Mr L says he had to obtain a loan to clear the credit card debt, which was closed around 4 years after the credit card was initially approved, and this is evidence of irresponsible lending. Mr L says this credit card approval made his financial situation worse and he wants Virgin to refund all interest and charges on the account.

Virgin says it is a responsible lender and before it approved the credit card account and the increased limit, it carried out reasonable and proportionate financial checks, using industry standard data from credit reference agencies (CRA's) and other external sources to verify Mr L's income and the likely affordability of the borrowing. Virgin says its checks showed there was no adverse information on Mr C's credit file, nor anything to suggest he was showing signs of financial difficulty at the time of both the initial approval or when the credit limit was increased.

Virgin says its affordability assessment showed Mr L had a strong level of net disposable income of around £450 per month and argues the checks it performed at the time were reasonable and the borrowing looked affordable.

Mr L wasn't happy with Virgin's response and referred the matter to this service.

The investigator looked at all the available information but didn't uphold the complaint. The investigator pointed out there were no set list of checks lenders like Virgin must carry out, but these should be borrower focused.

The investigator felt given the checks Virgin had carried out, it had built a detailed picture of Mr L's financial position using data from CRA's and industry standard sources to verify Mr L's income, and other external data to calculate affordability. The investigator pointed there was no evidence of any recent defaults, CCJ's, missed payments and Mr L had managed his existing external debt of around £17,000 well and he had a reasonable level of net disposable income (NDI) to meet the ongoing commitment. The investigator says Virgin carried out similar CRA's checks before approving the increase limit to £6,000 in November 2021 and this showed no new credit affordability issues, and while Mr L's external debt had increased to £21,000 this was being well managed with no obvious signs of Mr L struggling financially.

Overall the investigator felt Virgin had carried out reasonable and proportionate checks

before it approved both of the credit card limits and its decision to lend was fair.

Mr L didn't agree with the investigator's view and asked for the matter to be referred to an ombudsman for a final decision.

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, I won't be upholding this complaint and I will explain how I have come to my decision.

I was sorry to hear that Mr L is experiencing financial issues and that must be a source of worry for him. When looking at this complaint I will consider if Virgin acted irresponsibly when it approved a credit card account for Mr L in April 2021 and then increased the limit in November 2021.

Mr L's complaint centres around his view that Virgin acted irresponsibly when it approved a credit card account for him with a credit limit of £3,000 in April 2021 and subsequently approved an increase in the limit to £6,000 in November 2021. Mr L says Virgin's actions led him into persistent debt and he had to take out a loan to clear the borrowing, which he feels shows it lent irresponsibly. Mr L doesn't feel Virgin carried out thorough enough financial checks before it approved the credit limits, and if it had it would have been clear the borrowing was unaffordable.

While I understand the various points Mr L makes here, I'm not fully persuaded by his argument and I will go on to explain why.

The first thing to say here and as the investigator has pointed out, is that there are no set list of checks lenders like Virgin must carry out before approving credit facilities, but these should be borrower focused, taking into account the amount, type, term and cost of any borrowing. I should say here it's not for me to tell Virgin what those checks must consist of, or from what sources those checks should come from.

From the information I have seen, before the credit card limit was agreed and subsequently increased, Virgin carried out credit searches, income and expenditure assessments and referenced information contained in L's initial application, in which he declared he was employed earning circa £34,000 per annum. Based on what I have seen, there was no indication of external financial pressure nor any indication on Mr L's credit file of defaults, missed payments or CCJ's.

I can see Virgin verified Mr L's income on both occasions by using an industry accepted source known as CATO. I can also see it carried out an affordability assessment using information declared by Mr L and data provided by external CRA's and other industry affordability modelling sources. This showed after allowing for rent, existing debt and essential expenditure Mr L's NDI was around £450 to cover the new borrowing and the increased credit it approved around seven months later.

It's worth here saying while Mr L's borrowing had increased by around £4,000 by the time the increased limit was approved, this was being managed well and I am satisfied that wouldn't have impacted so significantly to suggest the increase was unaffordable in any way. It's also worth mentioning part of the initial credit limit was to complete a balance transfer of around £1,500 which should have meant some of Mr L's existing debt was reduced, saving him some of the external debt costs that Virgin had factored into its affordability assessment.

It's also fair to say that lenders from time to time offer an initial lower credit limit and review that after a few months and approve a higher credit limit having seen how the account operates, and I am satisfied that is what Virgin did here.

Mr L says he took out a loan to clear the credit card debt so this demonstrates irresponsible lending, but I can't agree as this was around four years after the credit card account was approved, and I can only consider what Virgin assessed as affordable at the time - as I have explained earlier.

So taking everything into account, on balance I am satisfied the financial affordability checks Virgin carried out before it approved the credit limits, were both reasonable and proportionate. Furthermore, given there was nothing obvious to suggest Mr L was struggling financially at those times or the borrowing looked unsustainable, I am satisfied there was no need for it to request further financial data to support the borrowing it approved.

I've also considered whether Virgin acted unfairly or unreasonably in some other way given what Mr L has complained about, including whether its relationship with him might have been unfair under s.140A Consumer Credit Act 1974. However, for the same reasons I have set out above, I've not seen anything that makes me think this was likely to have been the case.

While Mr L will be disappointed with my decision I am satisfied Virgin acted responsibly when it approved the credit card account limits when it did and its decision to lend was fair, so I won't be asking anymore of it here.

.My final decision

My final decision is that I do not uphold this complaint.

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

Barry White
Ombudsman