

The complaint

Miss S 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 her.

What happened

Miss S says Virgin approved a credit card account for her in May 2023 with a credit limit of £3,900. Miss S says this was at a time when she was already struggling financially, which Virgin would have seen if it had carried out a more thorough financial affordability check at the time. Miss S feels Virgin shouldn't have relied upon joint household income when approving what she considered was a large credit limit, and this debt has added to her financial problems.

Miss S wants Virgin to refund all the interest and charges on the account, remove any adverse entries on her credit file and pay her compensation for the upset and worry this matter has caused her.

Virgin says it is a responsible lender and before it approved the credit card account it relied upon information provided by Miss S in her application, alongside data provided by credit reference agencies (CRA's) and other external sources. Virgin says from that information Miss S declared her own annual income at £39,000 and the household income at £66,000, which it verified by industry standard external sources. Virgin says it used the household income and expenditure as part of its affordability modelling and this showed the new debt was affordable.

Virgin says from the checks it carried out there were no CCJ's, defaults, missed payments or anything else recorded to suggest Miss S was under any financial pressure and the financial checks it undertook were reasonable and proportionate and its decision to lend was fair.

Miss S 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 says from what she had seen, Virgin's credit checks identified Miss S had a declared income of £39,000 per annum with a net monthly income of around £2,500, with unsecured debt of around £10,600 and there were no late payments, CCJ's or defaults recorded. So the investigator concluded the checks Virgin had carried out were reasonable and proportionate so further financial information wasn't necessary here. The investigator calculated after Miss S's essential expenditure including any external debt, her net disposable income (NDI) was around £400 per month, which was sufficient to cover the new credit card payments and any unforeseen expenditure.

The investigator says while Miss S says she had previously entered into an IVA, there was no evidence of this on her credit file and Miss S's financial issues seem to have begun around a year after the credit card was approved.

Miss S 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 learn Miss S is experiencing financial problems and this must be a source of worry for her. When looking at this complaint I will consider if Virgin carried out reasonable and proportionate checks before it approved the credit card account for Miss S in May 2023.

Miss S's complaint centres around her view that Virgin shouldn't have provided a credit limit of £3,900 based on the household income, and furthermore she was already struggling financially at that time, which would have been clear if Virgin had carried out more thorough financial checks.

As the investigator has pointed out 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, Virgin carried out credit searches, income and expenditure assessments and referenced information contained in Miss S's application, in which she declared she was employed earning circa £39,000 per annum, with a household income of £66,000. I can see Virgin calculated, based on the information declared by Miss S and the data collected via CRA's and other external sources, that Miss S's NDI was around £1,250 per month.

Miss S feels this calculation was unfair, so the investigator looked at the affordability based on Miss S's own income and expenditure, taking into account her share of household costs and this showed Miss S had a NDI of around £400 per month, which is still a reasonable amount to meet the proposed monthly payments for the new credit card.

I have taken a closer look at Miss S's external debt at the time the credit card was approved and this showed her indebtedness at around £11,000 with monthly payments of approximately £350 per month, a sum less than the investigator calculated, so in real terms Miss S's true individual NDI was in fact higher than the investigator had allowed for. Either way from what I have seen, Miss S had a reasonable amount of disposable income to meet the new credit card payments and any other unforeseen expenditure.

It's also worth saying from what I have seen, there was no indication of external financial pressure nor any indication on Miss S's credit file of defaults, late payments or CCJ's. So, I'm satisfied before Virgin provided the credit card facility of £3,900, it had carried out reasonable and proportionate checks - so I'm satisfied no further financial information was necessary at that time.

Like the investigator, having looked through Miss S's credit file I can see no evidence of an outstanding IVA, so Virgin wouldn't have been aware of this. It's also fair to say here from the credit file, it seems Miss S's financial difficulties started around a year after the credit card was approved and I am satisfied Virgin wouldn't have been able to predict that from

what it had seen at the time of its financial checks.

I've also considered whether Virgin acted unfairly or unreasonably in some other way given what Miss S has complained about, including whether its relationship with her 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.

So taking everything into account, I am satisfied Virgin carried out reasonable and proportionate checks before it approved the credit card and its decision to lend was fair, for the reasons I have already mentioned.

While Miss S will be disappointed with my decision, I won't be asking anymore of Virgin 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 Miss S to accept or reject my decision before 18 February 2026.

Barry White
Ombudsman