

The complaint

Miss A complains Clydesdale Bank Plc trading as Virgin Money (Virgin Money) didn't sufficiently check she could sustain the repayments for a revolving credit facility.

What happened

Around March 2025 Miss A made an on-line application for a revolving credit facility (credit card) with Virgin Money that had a 0% interest offer on balance and money transfers till March 2026. Miss A's application was successful with Virgin Money issuing a credit card with a credit limit of £2,800. Miss A did two money transfers £2,500.40 and £150.02, that incurred fees of £100.02 and £6 respectively. Miss A said she struggled to sustain the repayments complaining to Virgin Money that they hadn't properly checked the lending was affordable for her. She said if they had they would have seen she'd multiple debts and an overdraft.

Virgin Money said their checks were reasonable and proportionate. And that these showed Miss A had sufficient disposable income to sustain the repayments.

Miss A wasn't happy with Virgin Money's response and referred her complaint to us.

Our investigator said Virgin Money should have done more to validate Miss A's income. But having considered Miss A's income and expenditure didn't ask Virgin Money to do anything more as the lending decision was fair.

Miss A didn't agree she said further checks would have shown she was financially vulnerable. And asked for an ombudsman 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.

While I empathise with Miss A, having done so I'm not upholding her complaint. For me to say Virgin Money must do something different I must first be satisfied that they've done something wrong. I can't see that they have here which is why I won't be asking them to do anything else. I'll explain why.

Whilst I've carefully thought about everything that has been said and provided by both parties, I won't comment on everything in my decision. This is not intended as a discourtesy to either party, but it reflects the informal nature of this service in resolving disputes.

I've considered the relevant rules and guidance on responsible lending set by the regulator, laid out in the consumer credit handbook (CONC). In summary, these say that before Virgin Money offered the account they needed to complete reasonable and proportionate checks to be satisfied Miss A would be able to repay the debt in a sustainable way.

In deciding what was proportionate Virgin Money needed to consider things such as (but not limited to): the amount of credit, the size of any regular payments (taking into consideration the rules and guidance in CONC relating to assumptions concerning revolving credit), the cost of credit and the consumer's circumstances.

There isn't a set list of checks a lender must do. But CONC says a lender must base their creditworthiness assessment on sufficient information of which they're aware at the time the assessment is carried out, obtained, where appropriate, from the consumer and where necessary from a credit reference agency (CRA), and the information must enable the lender to carry out a reasonable creditworthiness assessment.

CONC also says a lender should take reasonable steps to estimate a consumer's income and non-discretionary expenditure, and generally they shouldn't solely rely on a consumer's declared income but should seek to validate this through an independent source such as a CRA or third party. It also allows for the use of statistical data to determine a consumer's non-discretionary spending.

What's important to note is that Miss A was provided with a revolving credit facility rather than a loan. As it was revolving credit there's no set amount that needed to be repaid each month. But CONC requires a lender to assume when carrying out their assessment that the entire credit limit is drawn down at the earliest opportunity and repaid in equal instalments over a reasonable period. Virgin Money was approving a credit limit of £2,800. So, I think they could have reasonably assumed Miss A would need to be able to pay around £140 each month to clear any outstanding balance within a reasonable period. I've considered the checks Virgin Money did and what these showed.

Miss A declared she'd an annual income of £40,000 and a monthly rent of £1,200. Virgin Money based Miss A's income in their assessment on an annual salary of £38,000, which they considered to be £2,573.30 each month. Their CRA checks showed Miss A's rent to be £1,224 and her other expenditure to be £991.14. The CRA check showed Miss A had a low level of indebtedness with less than 1% debt to income ratio, and a total non-revolving debt of £334. There wasn't any evidence of adverse information that showed financial vulnerability such as arrears, missed payments, defaults or county court judgments. Virgin Money's assessment showed Miss A should have been left with a disposable income of around £358 before factoring in the new lending. So, based on these checks and what they showed Virgin Money deemed the lending was affordable.

I'm satisfied that Virgin Money's checks showed they'd taken reasonable steps to estimate Miss A's non-discretionary spending. They'd taken account of Miss A's monthly rent and considered other expenditure, Miss A's indebtedness was low and there wasn't any recorded adverse information to show any financial vulnerability.

Virgin Money said they'd also validated Miss A's income on modelled expectations. As its unclear whether this was through the use of an independent source or third party, I can't be certain Virgin Money's income check was reasonable and proportionate.

Because I don't think Virgin Money's income check was sufficient doesn't mean that the lending wasn't affordable it just means they should have checked further into Miss A's income. Miss A has provided her bank statements that show her average salaried income across the three months prior to the credit facility being approved was around £2,319. But I can also see she received a monthly pension of around £565, so her average income was around £2,884. So, I'm satisfied the income Virgin Money used in their assessment was reasonable.

Miss A said her outgoings were more than her income which caused her to have to constantly use her overdraft. But a lender in their assessment needs to consider income and non-discretionary expenditure, such as food, utilities, rent, transport, insurance, communications and other credit commitments. So not all of Miss A's spending would be considered as essential. The checks Virgin Money did show Miss A had a very low level of indebtedness, less than 1%, and her income was sufficient for her to meet her non-discretionary expenditure commitments whilst still leaving her with sufficient disposable income to be able to sustain her repayments.

We also think the affordability checks should be "borrower-focused", in other words, it wasn't enough for Virgin Money to think only about the likelihood that they would get their money back, but they also needed to consider whether repaying the lending sustainably would cause difficulties for Miss A. The credit card had a 0% interest offer on balance and money transfers. So, this would have provided the opportunity for Miss A to reduce any interest-bearing commitments she had, thereby reducing her financial burden.

Given the type and amount NewDay was lending to Miss A I think any further checks other than the validation of her income would have been disproportionate. The checks showed Miss A had a regular income, her level of debt was low with no signs of financial vulnerability. So, I'm satisfied upon validating Miss A's income the other checks were proportionate and these showed she should have been able to sustain her repayments. So, I can't say they acted unfairly in lending to her.

I know Miss A will be disappointed by my decision, but I hope my reasoning provides reassurance as to why I've reached the decision I have.

I've also considered whether Virgin Money acted unfairly or unreasonably in some other way given what Miss A has complained about, including whether their relationship with her might have been viewed as unfair by a court under Section 140A Consumer Credit Act 1974. But for the reasons I've already given, I don't think Virgin Money lent irresponsibly to Miss A or otherwise treated her unfairly. I haven't seen anything to suggest that s.140A or anything else would, given the facts of this complaint, lead to a different outcome here.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 4 March 2026.

Anne Scarr
Ombudsman