

The complaint

Clydesdale Bank plc, trading as Virgin Money, provided Ms N with a credit card account in January 2024. It had a credit limit of £8,900. Ms N says the credit was provided irresponsibly.

What happened

The details of this complaint are well-known to both parties, so I won't repeat them again here. The facts aren't in dispute, so I'll focus on giving the reasons for my 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 considered everything, I'm upholding Ms N's complaint. I'll explain my reasoning below:

We've set out our general approach to complaints about unaffordable or irresponsible lending on our website, and I've taken this into account in deciding Ms N's case.

I've decided the credit wasn't provided fairly because:

- I don't think the checks Virgin Money did before providing the credit were reasonable and proportionate given the credit limit it offered and what it knew about Ms N's financial situation, because it assessed affordability based on household income, not Ms N's income, even though the credit was to be provided solely to Ms N.
- If Virgin Money had done proportionate checks, I think it's likely these would have shown it was unfair to provide the credit to Ms N as it would have seen that, in the three months before she applied for the credit, her average monthly income was £2,009 and her share of the average monthly household expenditure was £2,389.
- Ms N made a £4,000 0% balance transfer to the account in January 2024, but I consider that Virgin Money should have assessed affordability on the basis that Ms N used the full credit limit, and I've assumed that her minimum monthly payment would have been about £267 if she'd done so, which wouldn't have been sustainably affordable for her.
- Virgin Money says that Ms N's bank statements didn't show any signs of financial distress, but I consider that its affordability assessment should have shown that a credit card account with a credit limit of £8,900 wasn't sustainably affordable for her at that time, so it didn't make a fair lending decision when it provided the credit to her.
- Based on the information Ms N has provided about her circumstances at the time, I think it should have realised Ms N was likely to be unable to sustainably repay what she was being lent.

This means I don't think Virgin Money should have provided the credit card account to Ms N. I've considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I'm awarding in this case, as set out below, results in fair compensation for Ms N in the circumstances of this complaint. I'm therefore satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Putting things right

I find that it would be fair and reasonable in these circumstances for Virgin Money to rework Ms N's credit card account, removing all interest, fees, charges and insurances (not already refunded) that have been applied. If the rework results in a credit balance, it should be refunded to Ms N, with 8% simple interest calculated from the date of each overpayment to the date of settlement, and Virgin Money should also remove all adverse information regarding this account from Ms N's credit file. HM Revenue & Customs requires Virgin Money to deduct tax from the interest payment referred to above. Virgin Money must give Ms N a certificate showing how much tax it's deducted if she asks it for one.

If, after the rework, there's an outstanding balance owed by Ms N, Virgin Money should arrange an affordable repayment plan with Ms N for the amount owed, and once Ms N has paid the balance, any adverse information in relation to the account should be removed from her credit file.

My final decision

My final decision is that I'm upholding this complaint and Clydesdale Bank plc, trading as Virgin Money, must put things right as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms N to accept or reject my decision before 30 March 2026.

Jarrod Hastings
Ombudsman