

The complaint

Mr A complains that Clydesdale Bank Plc trading as Virgin Money lent irresponsibly when it approved his credit card application.

What happened

The background to this complaint and my initial conclusions were set out in a provisional decision. I said:

Mr A applied for a Virgin Money credit card in December 2019. In Mr A's application he confirmed he was a homeowner and self employed with an annual income of £40,000. Mr A also said there was a total household income of £55,000. Virgin Money used a service provided by the credit reference agencies known as CATO to verify the income figures noted in the application.

A credit search was completed that found Mr A had existing credit card debts of £8,915 with monthly repayments of £385 and loans totalling £17,837 with monthly repayments of £464. A mortgage was also noted with monthly repayments of £1,326. No adverse credit, defaults or recent missed payments were noted on Mr A's credit file.

Virgin Money completed an affordability assessment using the total household income of £55,000 that it calculated left £3,705 net a month. Virgin Money made deductions for Mr A's mortgage of £1,326, an estimate of his general living expenses of £1,196 a month, credit card payments of £385 and loan repayments of £464. Virgin Money says that left a disposable income of £334 a month which was sufficient to cover repayments to a new credit card with a limit of £4,900. Virgin Money approved Mr A's application and issued the credit card to Mr A.

More recently, Mr A complained that Virgin Money lent irresponsibly and it issued a final response. Virgin Money didn't agree it had lent irresponsibly to Mr A and said it had carried out the proper checks before approving his application. Virgin Money didn't uphold Mr A's complaint.

An investigator at this service looked at Mr A's complaint. They thought Virgin Money completed reasonable and proportionate checks before approving Mr A's application and weren't persuaded it lent irresponsibly.

Mr A asked to appeal and said he still thought Virgin Money's checks weren't proportionate given his existing debts, the use of household income wasn't appropriate as he didn't have access to his wife's funds, that it had failed to identify his account was in persistent debt and caused financial harm. As Mr A asked to appeal, his complaint has been passed to me to make a decision.

What I've provisionally 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.

Before agreeing to lend, the rules say Virgin Money had to complete reasonable and proportionate checks to ensure Mr A could afford to repay the debt in a sustainable way. These affordability checks needed to be focused on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:

- The amount of credit;*
- The total sum repayable and the size of regular repayments;*
- The duration of the agreement;*
- The costs of the credit; and*
- The consumer's individual circumstances.*

That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate. Lenders may choose to verify a borrower's income or obtain a more detailed picture of their circumstances by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.

When Mr A applied to Virgin Money he provided details about his circumstances including his residential status and nature of his income. I understand Mr A was self employed and can see he gave an annual income figure of £40,000. Mr A also confirmed his wife earned £15,000 and there was a total household income of £55,000. Virgin Money has shown that figure was verified via CATO so I'm satisfied the net monthly income figure of £3,705 was reasonable to use.

Mr A's credit file shows he already had a reasonably high level of unsecured debts when compared against his income. Mr A owed a total of £26,752 which represented 66% of his annual income of £40,000. In my view, that was already quite high. I note no adverse credit or recent missed payments were found on Mr A's credit file. But I think Mr A makes a reasonable point when he says he opened a new credit card with a limit of £8,100 in April 2019 and a loan for around £17,000 in June 2019.

I have some concerns over the affordability assessment conclusions. Virgin Money's explained it used the total household income in its lending assessment and says that follows the relevant lending rules. We'd normally expect to see a financial association between the members of the household and whilst I've not seen that in the evidence supplied, I think it's likely there was an association of that nature with his wife on Mr A's credit file.

The issue I have is that the affordability assessment took the household income, mortgage payment and general living expenses into account. It also took Mr A's existing debt repayments into account. That left a disposable income figure of £334 a month after Mr A and his household's existing outgoings were covered. Given this figure was based on a joint or household income, I think it's reasonable to halve it to reflect the other individual's need for their own funds. That would've left Mr A with £167 a month. But Mr A would've still needed funds available to pay his new Virgin Money credit card from that sum.

Assuming Mr A borrowed up to the limit of £4,900 and was making monthly repayments that would've allowed him to clear the outstanding in a reasonable timeframe, I've used a figure of 5% of the outstanding balance. That means Mr A's repayments would need to be £245. But that amount is more than the £167 remaining to Mr A. Even if I were to use the full disposable income figure of £334, Mr A and his wife would've been left with £129 between them. And even using a monthly repayment of 4% of the outstanding balance, Mr A's payment would've been £196 leaving a joint disposable income of £138. Again, between Mr A and his wife I'm not persuaded that was a reasonable level of disposable income available to afford any unexpected or emergency expenses. I haven't been persuaded the information

Virgin Money obtained showed Mr A was able to sustainably manage repayments to a new credit card with a limit of £4,900.

Taking the above into account, I haven't been persuaded Virgin Money lent responsibly. As a result, I intend to uphold Mr A's complaint and direct Virgin Money to refund all interest, fees and charges applied to his credit card from the date of approval.

I've considered whether the business acted unfairly or unreasonably in any other way including whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed below results in fair compensation for Mr A in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

I invited both parties to respond with any additional comment or information they wanted me to consider. Mr A confirmed he accepted. We didn't receive a response from Virgin Money.

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.

As no new information has been provided and Mr A has confirmed he's willing to accept I see no reason to change the conclusions reached in my provisional decision. I still think Mr A's complaint should be upheld, for the same reasons.

My final decision

My decision is that I uphold Mr A's complaint and direct Clydesdale Bank Plc trading as Virgin Money to settle as follows:

- 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 Mr A 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 Mr A's credit file.
- Or, if after the rework there is still an outstanding balance, Virgin Money should arrange an affordable repayment plan with Mr A for the remaining amount. Once Mr A has cleared the balance, any adverse information in relation to the account should be removed from their credit file.

If Virgin Money has sold the debt to a third party, it should arrange to either buy back the debt from the third party or liaise with them to ensure the redress set out above is carried out promptly.

*HM Revenue & Customs requires Virgin Money to deduct tax from any award of interest. It must give Mr A a certificate showing how much tax has been taken off if he asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 17 March 2026.

Marco Manente
Ombudsman

