

The complaint

Mr B complains that Clydesdale Bank Plc trading as Virgin Money lent irresponsibly when it approved two credit card applications he made and increased the limit on one of the accounts.

What happened

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

Mr B applied for a Virgin Money credit card in March 2019 (card 1). In his application, Mr B said he was employed with an annual income of £27,628. Virgin Money used a service provided by the credit reference agencies to verify the income figure Mr B gave. Virgin Money used a net monthly income of £1,847. Mr B also said he was living with family with no rent. A credit search was completed that found Mr B owed around £1,995 to other unsecured lenders. No adverse credit, defaults, payday loans or recent missed payments were noted on Mr B's credit file.

Virgin Money used credit scoring and an affordability assessment when looking at Mr B's application. Virgin Money's credit scores indicated Mr B was in a stable position. The affordability assessment took Mr B's net monthly income and made a deduction of £782 as an estimate for his general living expenses. Virgin Money says Mr B had an estimated disposable income of around £1,065 a month after his existing outgoings were met. Virgin Money approved Mr B's application and issued a credit card with a limit of £4,800.

Mr B went on to use the credit card and in December 2019 Virgin Money increased the credit limit to £7,100. Virgin Money applied its credit scoring process to the credit limit increase and also checked Mr B's credit file, finding his unsecured debts had increased to £6,191. Mr B continued to use card 1 to varying degrees until September 2022 when the balance was cleared but the account remained open.

Mr B applied for another Virgin Money credit card in March 2023 (card 2). In this application, Mr B gave an annual income of £42,686 that was verified in the same way as during the application for card 1. Virgin Money went on to use a net monthly income figure of £2,671 in its lending assessment. A new credit search was completed. No new adverse credit was recorded. Mr B's unsecured debts were found to total £24,526 with monthly repayments of £816.

Credit scoring was completed and an affordability assessment was undertaken. Virgin Money says that after Mr B's regular outgoings were met he had around £633 remaining as a disposable income. Virgin Money approved the application for card 2 and issued a credit card with a limit of £4,000.

Mr B's explained that he was gambling throughout the period he borrowed from Virgin Money which is reflected by the increase in his unsecured debt levels. Mr B's accounts later fell into arrears and were closed in default with the debts being sold.

Mr B complained that Virgin Money lent irresponsibly and it issued a final response. Virgin Money said it had completed the relevant lending checks before approving Mr B's applications and increasing the limit of card 1 and didn't agree it lent irresponsibly.

An investigator at this service looked at Mr B's complaint. They thought the decisions to approve both Mr B's applications were reasonable based on the information Virgin Money obtained. The investigator thought Virgin Money should've carried out a more detailed approach before approving the credit limit increase for card 1 in December 2019. The investigator reviewed Mr B's bank statements and noted there was a high level of gambling. But the investigator felt Mr B was able to sustainably afford repayments to the increased limit for card 1 and didn't agree Virgin Money lent irresponsibly.

Mr B asked to appeal and said he thought the level of gambling shown on his bank statements showed further credit wasn't affordable. As Mr B 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 or increasing the credit limit, the rules say Virgin Money had to complete reasonable and proportionate checks to ensure Mr B 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.

I've set out the information Virgin Money used when considering Mr B's application for card 1 above. I can see Mr B confirmed his income and Virgin Money used a verification tool to check the figure provided. I'm satisfied that was a fair approach and the use of a net monthly income of £1,847 was reasonable. Mr B's credit file showed no signs of strain with no adverse credit and a reasonably modest outstanding credit card debt of £1,995. I haven't seen anything within the credit file data that indicates Mr B was overcommitted or struggling at this point.

Credit scoring provided positive results and Virgin Money also completed an affordability assessment. I note the affordability assessment provided by Virgin Money doesn't appear to include regular outgoings for Mr B's existing credit. But I think the rest of the information Virgin Money used was reasonable and Mr B's disposable income of £1,065 left room for him to cover any repayments to his existing debts. Overall, I'm satisfied the level and nature of Virgin Money's checks were proportionate to the amount and type of credit it approved. And I'm satisfied the information Virgin Money obtained showed Mr B would've been able to

sustainably afford repayments to a credit card with a limit of £4,800. I haven't been persuaded Virgin Money lent irresponsibly when it approved card 1.

Virgin Money's provided some details of the credit scoring and credit check it completed before the credit limit increase for card 1 was approved in December 2019. That shows Mr B's unsecured debt levels had gone from £1,995 in March 2019 to £9,927 in December 2019. And looking at Virgin Money's credit limit increase data, it appears Mr B's outstanding credit had been increasing month on month indicating he may've been borrowing at an unsustainable rate. In my view, that was a substantial increase in Mr B's unsecured debts. I also note the information on file doesn't show Virgin Money verified Mr B's income level again.

Taking the available information into account, I think Virgin Money should've considered a more detailed approach before approving the credit limit increase for card 1. One option Virgin Money had would've been to review Mr B's bank statements for the preceding months to get a clearer picture of his circumstances. I think that would've been appropriate to the credit limit increase. Mr B's provided his bank statements for the three months before the credit limit was approved so I've used those to look at his circumstances at the time.

I found Mr B's income came to an average of £2,488 a month. Mr B had relatively low outgoings in terms of his regular expenses. I saw a rent payment of £120 in August 2019 but no others. No obvious outgoings for utilities or Council Tax were found. Mr B's regular outgoings tended to relate to his existing debts, food and transport. Mr B's outgoings came to around £600 a month. So on the face of it, Mr B had a fair level of disposable income. But I think Mr B made a reasonable point when he said his bank statements showed a high level of gambling payments.

In August 2019, I saw payments from Mr B's current account that were easily identifiable as being for gambling purposes of over £11,000. In September 2019 Mr B made gambling payments of around £6,800. In October 2019 it was lower at £400. I accept that Mr B did receive winnings that offset a substantial amount of his losses but not all. But I think it's reasonable to note Mr B used his overdraft on multiple occasions to gamble with. Some days, Mr B gambled very large sums. As an example, Mr B made gambling payments totalling £2,050 on 23 August 2019 alone, going into his overdraft by £833. The following day, Mr B used his overdraft for another bet of £500.

In my view, the way Mr B's other debts had grown since his original application along with the way he was using his current account and overdraft for gambling shows that whilst his essential outgoings were low an increased credit limit of £7,100 was unlikely to be sustainable in the long term. I think more detailed lending checks would've shown Virgin Money Mr B wasn't able to sustainably afford additional credit in November 2019 and led it to decline to lend. As a result, I intend to uphold Mr B's complaint about card 1 from the that point and award all interest, fees and charges applied to balances over £4,800.

The application for card 2 was made in March 2023. At this point, card 1 had no outstanding balance. Mr B gave his income as £42,868. Virgin Money's application data shows the income figure provided was verified using the services of a credit reference agency. A net monthly income of £2,671 was used in the application. No rent was given by Mr B in the application. A new credit search showed no evidence of adverse credit or recent missed payments. Mr B's unsecured debts had risen to £24,526 with monthly repayments totalling £979.

Whilst I can see Mr B had a reasonable amount of unsecured debt at this point, I think it's fair to say there were no clear signs he was experiencing financial difficulties at the time. All

Mr B's payments were up to date and card 1 had no missed payments or overlimit fees applied.

The affordability assessment took into account Mr B's income of £2,671, existing debt payments of £979 and an estimate of £1,057 a month for his general living expenses. That left around £633 remaining as a disposable income. In my view, that was a reasonable position to reach following proportionate lending checks. And I'm satisfied the disposable income figure reached would've been sufficient to sustainably afford repayments to a new credit card with a limit of £4,000. Taking all the available evidence into account, I haven't been persuaded Virgin Money lent irresponsibly when it approved Mr B's application for card 2.

I understand I've upheld the credit limit for card 1 which predated the application for card 2. But I think the amount of time between the lending decisions meant it was reasonable for Virgin Money to complete a new assessment based on its lending criteria and information Mr B provided in his application for card 2.

For the reasons I've given above, I intend to uphold Mr B's complaint about card 1 from the credit limit increase to £7,100 in December 2019. I haven't been persuaded to uphold Mr B's complaint about card 2.

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 which says a court may make an order under Section 140 if it determines a relationship between the creditor and the debtor is unfair. The consumer is the debtor and Section 140 defines the creditor as "the person to whom his rights and duties under the agreement have passed by assignment or operation of law."

Where a debt has been sold, (as it has in this case) it follows that the debt purchaser is now the creditor for the purpose of the credit agreement. So a claim about an unfair relationship can't be brought by the consumer against the original lender as they are no longer the creditor.

I invited both parties to respond with any additional comments or information they wanted me to consider before I made my final decision.

Mr B responded to confirm he accepted the settlement reached in the provisional decision.

Virgin Money responded but didn't agree. Virgin Money said Mr B's unsecured debts had increased by £2,000 to around £6,000, in a 10 month period but said his unsecured debt levels were still very low. Virgin Money added the credit score given didn't reflect financial stress. Virgin Money noted I hadn't shared the bank statements Mr B provided to us and added I had reached the conclusion he had a healthy disposable income. Virgin Money asked if I'd reviewed any other bank accounts in Mr B's name. Virgin Money added Mr B's credit card was well administered with payments in excess of the minimum being made and balance being repaid in full at times. Virgin Money also said the refund of interest amounted to less than £100.

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.

I'd like to thank both parties for responding to the provisional decision. I understand Mr B is somewhat disappointed I didn't uphold his complaint in full but has confirmed he understands how my decision was reached.

Virgin Money's made a number of points in response to the provisional decision. Virgin Money said that at £6,191 before the credit limit increase Mr B's outstanding balances were still very low. But that figure relates to Mr B's outstanding credit in September 2019. The credit limit was increased in December 2019, at which point Mr B's outstanding credit had increased further to £9,927. I've relooked at the credit file totals provided by Virgin Money and remain of the view that Mr B's outstanding credit was clearly growing month on month. I still think that should've caused Virgin Money to complete better checks before approving the credit limit increase. Even accepting Mr B made payments in excess of the minimum, I remain of the view that Virgin Money failed to complete proportionate checks before approving the credit limit increase.

As noted in my provisional decision, Mr B's bank statements showed his regular income and outgoings. They also showed high levels of gambling as set out. I can see Virgin Money asked whether I checked other accounts, but it hasn't explained why it believes that step was required. I can confirm I looked at two separate current accounts when reaching my provisional decision. I'm satisfied that the account statements I reviewed were more than sufficient to get a clear picture of Mr B's regular income and outgoings along with the pattern of gambling. I found multiple instances where Mr B was using credit, including his overdraft facility, for gambling. I've relooked at Mr B's bank statements for the months preceding the credit limit increase for card 1 and remain of the view they show Mr B was using all his disposable income plus credit to gamble with and that an increase to his credit limit was unlikely to be sustainable.

I understand the refund Mr B will receive may be reasonably modest. But the settlement also directs Virgin Money to reach an affordable payment arrangement with Mr B for card 1 and to remove any adverse credit reported about it from his credit file once the balance is repaid. Those are important elements required for a fair settlement in my view.

Having considered all the available evidence in addition to Virgin Money's response, I still think Mr B's complaint should be upheld, for the same reasons.

My final decision

My provisional decision is that I intend to uphold Mr B'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 to card 1 on balances above £4,800 from December 2019.
- If the rework results in a credit balance, this should be refunded to Mr B 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 recorded from December 2019 regarding card 1 from Mr B's credit file.
- Or, if after the rework the outstanding balance still exceeds £4,800, Virgin Money should arrange an affordable repayment plan with Mr B for the remaining amount. Once Mr B has cleared the outstanding balance, any adverse information recorded from December 2019 in relation to card 1 should be removed from their credit file.

As 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 B 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 B to accept or reject my decision before 17 April 2026.

Marco Manente
Ombudsman