

## **The complaint**

Mr C complains that Clydesdale Bank Plc trading as Virgin Money lent irresponsibly when it increased the limit on his credit card.

## **What happened**

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

*Mr C successfully applied for a Virgin Money credit card with a limit of £1,200 in June 2019. In his application, Mr C confirmed he was working with an income of £12,720 and was living with his parents without paying rent. Virgin Money completed a credit search and found no evidence of any other unsecured debts. Virgin Money also used a service provided by the credit reference agencies to verify the income figure Mr C provided.*

*Virgin Money completed an affordability assessment using an estimate for Mr C's general living expenses of £573 a month leaving a disposable income of £442. Virgin Money approved Mr C's application and issued a credit card with a limit of £1,200.*

*Mr C used the Virgin Money credit card and in January 2020 the limit was increased to £1,700.*

*More recently, Mr C complained that Virgin Money lent irresponsibly and it issued a final response. Virgin Money said it had completed the relevant lending checks and didn't agree it lent irresponsibly.*

*An investigator at this service looked at Mr C's complaint. They thought Virgin Money had completed proportionate checks before increasing the limit to £1,700 and didn't agree it lent irresponsibly to Mr C. In addition, the investigator wasn't persuaded Virgin Money treated Mr C unfairly in any other way.*

*Mr C asked to appeal and said Virgin Money had failed to show it completed affordability checks before increasing the limit. Mr C also pointed out his unsecured debt had increased significantly between his application and the credit limit increase. Mr C also said Virgin Money failed to treat him fairly or provide forbearance and that the way he'd used the credit card, including large numbers of money transfers and cash advances, showed he was using credit to cover his living expenses. As Mr C 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.*

*I've set out the application information used by Virgin Money above to illustrate the details it considered when assessing the application. As Mr C has pointed out, the credit limit increase from £1,200 to £1,700 took place in January 2020, around six months later. I can*

*see our investigator felt it was reasonable for Virgin Money to rely on the information it obtained during the application. But I don't agree and think the time since the original application and information available to Virgin Money from Mr C's credit file should've led to fresh affordability checks. In addition, I note that Virgin Money hasn't advised that no new checks were completed. It's told us that the way it assesses affordability for credit limit increases differs from the way it looks at applications and can't be shared for technical reasons.*

*Before agreeing to lend or increase the credit limit, the rules say Virgin Money had to complete reasonable and proportionate checks to ensure Mr C 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 think Mr C makes a reasonable point when he says his circumstances appear to have changed between June 2019, when the credit card was approved, and January 2020 when Virgin Money increased the credit limit. When Mr C applied, he confirmed a modest income of £12,720. Virgin Money's credit search found no evidence of any unsecured debts. So Mr C's outgoings were limited to the £573 general living expenses figure Virgin Money used in its affordability assessment. But, when the credit limit increase was approved, Mr C's credit file shows he had other debts totalling £2,619.*

*I appreciate that may appear to be a reasonably small increase. But Mr C had a net monthly income of £1,015 in June 2019. And Virgin Money had previously used an estimate for Mr C's general living expenses of £573 a month. So Virgin Money was aware Mr C only had £442 a month remaining in June 2019 to cover his new credit card and any other outgoings that may've arisen. By January 2020, Mr C's other debts had increased. Mr C has provided a copy of his full credit report that shows he'd opened two new credit cards between June 2019 and January 2020. I can also see Mr C had opened a new current account with a £1,000 associated overdraft in that period. Given Mr C's modest monthly income, I think the amount of new credit recorded indicates he may've been borrowing at an unsustainable rate.*

*Taking the lack of affordability data and increase in Mr C's unsecured debts into account, I haven't seen evidence that demonstrates proportionate checks were completed. In the circumstances, I think it would've been proportionate for Virgin Money to verify Mr C's circumstances by getting a clearer picture of his circumstances. One option would've been to review Mr C's bank statements for the preceding months which is the approach I've taken.*

*Mr C's bank statements show he had an average income of £1,074 a month. Mr C's outgoings for his existing debts and communications came to an average of £997 a month. That doesn't take into account any day to day spending on things like food or transport. That means Mr C's income was only £77 a month more than his committed outgoings. I also think it's reasonable to note that throughout the full three month period, Mr C's account remained*

*overdrawn, hitting the limit until his pay was received. But even when Mr C's pay was received, his account didn't return to a credit position.*

*Taking all the information available into account, I haven't been persuaded Virgin Money lent responsibly to Mr C when it increased the limit on his credit card. Virgin Money hasn't shown evidence of the affordability checks completed. And Mr C's other debts had increased which, when compared to his monthly income and remaining disposable income, meant his outgoings went up significantly. Mr C's bank statements show his income was almost entirely used up on his existing credit commitments and telephone bill. I didn't find evidence in Mr C's bank statements that shows he had capacity to sustainably afford a £500 increase to the limit, taking it to £1,700.*

*As a result of the above, I intend to uphold Mr C's complaint and direct Virgin Money to refund all interest, fees and charges applied to balances over £1,200 from January 2020 to the date of settlement.*

*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 C 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 information or comment they wanted me to consider before I made my final decision. Mr C responded to confirm he is willing to accept. Virgin Money responded to confirm it didn't accept.

Virgin Money provided some additional lending data to show it completed a new financial assessment before increasing Mr C's credit limit to £1,700. Virgin Money said Mr C's be urea scores were strong and his circumstances were stable month on month. Virgin Money pointed out Mr C regular paid more than the minimum payment. Virgin Money added that it wouldn't be feasible to review bank statements before agreeing credit limit increases for each customer. Virgin Money also pointed out Mr C didn't raise financial difficulties with it until early 2025.

### **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've considered the points made by Virgin Money in addition to the information provided to show how it considered the credit limit increase. I've taken the information into account and acknowledge Mr C was making payments in excess of the minimum. But as noted in the provisional decision, Virgin Money was aware Mr C was earning a modest monthly income of around £1,050 in June 2019 and I can see the lending data used for the credit limit increase included the same figure. Virgin Money calculated Mr C's disposable income of £442 a month in June 2019 when he had no other unsecured debts.

By the time of the credit limit increase in January 2020 Mr C's unsecured debts increased to £2,619. Given Mr C's modest income and limited disposable income each month, I remain of the view that an increase in his unsecured credit of £2,619 over a six month period was significant. In the particular circumstances of Mr C's case, I think the level of increase meant Mr C's disposable income was substantially impacted. I also think the fact Mr C previously had no borrowing but had gone on to open multiple credit facilities in the previous six months indicates his borrowing habits may've changed in that time.

I understand Virgin Money's point that it isn't practical to complete detailed checks, like reviewing bank statements, for each credit limit increase. But there will be occasions where it's reasonable and proportionate to move away from the standard approach and complete a more comprehensive assessment of a borrower's circumstances. In Mr C's particular case, I remain of the view there were grounds for Virgin Money to complete a more detailed review of his circumstances due to his modest net monthly income, limited disposable income and increase in unsecured debts between the account opening and credit limit increase. I still think that if Virgin Money had completed a more detailed set of lending checks (as set out in the provisional decision) and sought to verify Mr C's income and outgoings it wouldn't have found the credit limit increase was affordable and declined to proceed. On that basis, I still think Mr C's complaint should be upheld.

### **My final decision**

My decision is that I uphold Mr C'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 balances above £1,200 from January 2020
- If the rework results in a credit balance, this should be refunded to Mr C 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 January 2020 regarding this account from Mr C's credit file
- Or, if after the rework the outstanding balance still exceeds £1,200, Virgin Money should arrange an affordable repayment plan with Mr C for the remaining amount. Once Mr C has cleared the outstanding balance, any adverse information recorded from January 2020 in relation to the account should be removed from their credit file

\*HM Revenue & Customs requires Virgin Money to deduct tax from any award of interest. It must give Mr C 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 C to accept or reject my decision before 8 May 2026.

Marco Manente  
**Ombudsman**