

The complaint

Miss N complains that Clydesdale Bank Plc trading as Virgin Money (Virgin Money) irresponsibly lent to her when she was provided with a credit card.

What happened

Miss N applied online for a Virgin Money credit card. The application was accepted, and an account with a credit limit of £9,900 was opened in September 2024.

Miss N raised a complaint with Virgin Money. She said it had been irresponsible in lending to her. Miss N said she had considerable existing debt at the time. And she believed Virgin Money had not conducted sufficient checks before granting her credit. Miss N said this had resulted in distress and hardship.

Virgin Money rejected the complaint on the basis it had used a combination of factors when reviewing her application. The decision to approve the application was made using the details provided by Miss N. Virgin Money also considered information held with the Credit Reference Agencies (CRAs). These details were reviewed alongside the lending criteria at the time.

Virgin Money said that based upon its assessment, an appropriate and affordable credit limit was assigned. Virgin Money also said that at the time of the application there was nothing provided by Miss N, or in its validation of the information, which indicated financial difficulties when the account was opened.

Miss N remained unhappy and referred her concerns to the Financial Ombudsman Service.

In her submissions Miss N said she had considerable existing credit, and she was using credit to make repayments on other credit. Miss N believes she wasn't in a position to afford the borrowing. In addition, she provided additional information regarding the impact on her health, her relationship, and her future financial plans.

Miss N is concerned that Virgin Money have used the household income to assess affordability. She believes that as her partner was not a joint applicant, their income should have no bearing on her affordability. Miss N also highlighted the amount of credit she had obtained in a short period of time.

Our investigator concluded Virgin Money had made reasonable and proportionate checks, and the decision to lend to Miss N was fair.

Miss N disputed this view and detailed why she thought the outcome was incorrect. Miss N said her indebtedness should have raised concerns for Virgin Money. She repeated her views about the use of the household income. And she also said the Virgin Money credit card pushed her financial situation into unsustainable territory.

A different investigator considered the complaint. And, having looked at all the evidence, upheld the complaint. The investigator believed Miss N had insufficient disposable income to support the borrowing.

Virgin Money responded with additional points and questions. This resulted in the investigator reconsidering their view. The investigator acknowledged that the disposable income calculation they had used was incorrect. Therefore, having amended the calculation, they believed the credit card was affordable.

Miss N didn't agree and sent further information in support of her complaint. This repeated and expanded upon her previous submissions. In particular she again emphasised her concerns regarding the use of the household income.

The Investigator's view remained unchanged. As an agreement couldn't be reached, the case was passed to me to decide.

I sent Miss N and Virgin Money my provisional decision on 12 March 2026. I explained why I was planning to uphold the complaint. I said:

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having done so, I've reached a different outcome to the investigator. I'll explain my reasons why.

I'd like to acknowledge Miss N and Virgin Money for providing detailed information throughout the investigation of this complaint. I may not address every point individually. But I would like to assure both parties that the evidence they provided has been at the heart of my consideration of Miss N's complaint. Additionally, I'd like to thank Miss N for sharing details of the difficulties she's encountered, and how this has impacted her.

We've explained how we investigate complaints about unaffordable and irresponsible lending on our website. I've used this approach to help me decide Miss N's complaint.

Virgin Money needed to conduct reasonable and proportionate checks to ensure it didn't lend to Miss N irresponsibly. It's not about Virgin Money assessing the likelihood of it being repaid, but it had to consider the impact of the repayments on Miss N. There is no set list of checks it had to perform, but it could consider different things such as the amount of the credit, the amount of the monthly repayments, and the overall circumstances of the borrower.

Miss N applied for the credit card online. She said she had a personal income of £33,000, and a total household income of £62,000. Virgin Money validated the income figures through the CRA and recorded a net household income of around £4,058 per month. Miss N said her monthly mortgage repayments were £400.

Virgin Money obtained information from a CRA. This showed revolving debt (such as credit cards) totalling £8,010. And non-revolving debt (for example loans) totalling £16,962.

The CRA information didn't show any adverse data, such as defaults, County Court Judgements (CCJs), bankruptcy, etc. However, it did show Miss N had taken seven cash advances from a credit card, in the previous three months.

Virgin Money used this data to decide if it would lend to Miss N. It performed a calculation to determine the disposable income available. Miss N's living costs were assessed using Office for National Statistics (ONS) data. Using ONS estimates is a reasonable method for lenders to use to calculate a consumer's disposable income. But it must ensure there aren't other factors which would suggest a greater understanding of the individual's circumstances are required.

The household expenditure was recorded as £2505.95. This factored in the full mortgage payment of £784, as Miss N had understated this (as £400) in her application. Payments to existing credit arrangements were recorded as £635. This resulted in a household disposable income figure of around £917.

Miss N applied to transfer £8,900 of her existing debt to the new Virgin Money account. I understand the balance transfer initially operated on a 0% interest basis. But this promotional rate was later withdrawn.

The information received from Virgin Money confirms Miss N's online application was 'auto approved'.

I've considered whether the checks Virgin Money conducted were reasonable and proportionate. Whilst the calculations do show a good disposable income, there are factors which I believe should have prompted a greater consideration of Miss N's circumstances.

I've looked at the application data, and it shows the credit card was approved on the basis of the household income rather than Miss N's sole income. So, affordability is dependent upon the assumption Miss N had access to the household income.

Miss N has raised concerns about Virgin Money accessing her partner's financial data. In the application Miss N provided the household income details. So, I believe the actions Virgin Money took were reasonable. Virgin Money hasn't obtained personal data in respect of Miss N's partner. But the CRA has provided data based upon the financial association between the parties.

I've taken the relevant regulations into account. And I think it's fair to note they allow lenders to use income from another person, as far as it's reasonable to expect such income to be available to the borrower to make repayments under the credit agreement.

So, I understand there are provisions that mean Virgin Money can use household income. But where the borrowing is dependent on that additional income, I'd expect it to get a clear picture of how sustainable it was. I'm not persuaded Virgin Money did that in this instance.

Virgin Money said that Miss N provided the household income in her application. And the CRA data shows a joint mortgage. It therefore believes it is reasonable to assume Miss N and her partner operated finances jointly within the household.

I can see Miss N and her partner were contributing to the joint household expenditure. But it doesn't necessarily follow that the use of the joint household finances would extend to repaying the individual debts of the parties. Nor does it show that there is agreement between them to service each other's debts.

Miss N has stated that she was solely responsible for her debts. And I haven't seen anything to persuade me this wasn't the case, as the majority of her credit arrangements were being paid from her sole account.

In addition, I note that in the three months leading up to the application, Miss N had taken seven cash advances on an existing credit card. These amounted to £1,750, which was a significant amount. Virgin Money said that Miss N had sufficient funds in her current account to make withdrawals, had she wished to do so. I don't agree that the current accounts had adequate surplus funds to have enabled these withdrawals. So, I must consider that cash withdrawals from a credit card can be an expensive way in which to obtain money. And such activity can be an indicator of financial difficulties.

I've also considered the level of potential borrowing offered by Virgin Money. The credit limit was set at £9,900, which is a significant amount.

Therefore, taking all these factors into consideration, I don't believe the checks undertaken by Virgin Money were reasonable and proportionate.

I've therefore considered what reasonable and proportionate checks would have shown if Virgin Money had carried them out at the time. Miss N has provided bank statements. These relate to her sole account and a joint account, to which both account holders contributed and from which household expenses were paid.

I've considered the joint bank statements in the three months leading up to the account opening. The joint statements demonstrate Miss N and her partner sharing the common household expenses, with both making a monthly contribution to the account. However, Miss N was contributing significantly more than her partner during this period.

The joint account statements show regular reliance on the overdraft. At times, the balance was close to the arranged overdraft limit. So, although essential payments were being met, the account remained in debit for much of each month. Also, the joint account statements don't show any provision for emergency or unexpected financial impacts.

From these statements, I've calculated the average income and essential expenditure over this period.

Miss N and her partner were paying, on average, around £2,448 into the joint account. The direct debits on the account, relating to essential expenditure averaged £1,876. The average expenditure on food was £327. This left a balance of around £245 to meet the costs of transport and all other household expenditure. So, on balance, and having considered the evidence on the statements, I don't believe this was sufficient to maintain the living costs and to provide for contingency savings. It also didn't allow Miss N and her partner to remove their reliance on their overdraft.

I've noted that additional payments from Miss N's employer were made into the account. Miss N has confirmed that these were in respect of her out of pocket expenses, rather than income. Therefore, I've not factored these payments into my calculations. Miss N has advised she was regularly charging her work expenses to her credit cards. But she was not always using the reimbursement funds to then repay the credit card borrowing. So, effectively, these payments were supplementing Miss N's income, but at the expense of increasing her debt.

I've also considered Miss N's sole bank account statements. Miss N's average income was £2,169 over the period I considered. The essential expenditure on her account averaged £430. In addition to the food spending on the joint account, Miss N was also spending around £80 per month on food from her sole account. So, after factoring in her contribution to the joint account, this left a balance of around £211.

I've carefully considered what else I can understand from Miss N's statements. Miss N has explained that the stress she felt about her finances affected her wellbeing and lifestyle behaviours. When I look at her statements, I can see significant spending in this area, amounting to around £350 per month on average. This is something Virgin Money might have considered as part of assessing the overall demands on Miss N's finances. And it appears the expenses payments from Miss N's employer and the cash advances on her credit cards were, to some degree, supporting this spending.

I can also see that Miss N took a loan of £3,500 shortly before the credit card account was opened. This was largely used to consolidate existing debt, though some of this loan appears to have been used for personal spend too.

It could be argued that providing Miss N with a balance transfer card was advantageous to her. This was because it potentially allowed Miss N to reduce the cost of some of her debt. But equally, as the existing line of credit would remain open (on the cards the balance moved across from), Miss N could reuse it. I haven't seen any evidence that Virgin Money sought any assurances that the existing accounts would be closed.

In addition, the credit limit on the account was higher than the balances transferred to it. Therefore, the provision of the credit card increased the credit available to Miss N, beyond that which she was transferring. So, there was the possibility Miss N would become further indebted, even though much of the balance comprised of transfers from existing credit.

I believe in order to meet the requirement to conduct reasonable and proportionate checks, Virgin Money should have made further enquiries. These should have determined that either Miss N could manage the lending independently. Or, if not, that she could reasonably expect to be able to sustain the borrowing from the joint household income. And, if so, that the household income was sufficient to support the lending.

Having determined what these checks would likely have shown, if they had been conducted, I don't believe it was fair to provide the credit card account to Miss N. I say this because Miss N's spending patterns and reliance upon credit did not appear to be sustainable.

Miss N has commented on the impact on her health and personal life. She has also said her future plans to move house have been impacted, and she may have Inheritance Tax issues in the future. These are areas which will require specific and specialised guidance. I can see Miss N has taken steps to begin to address the impact of her financial difficulties. And I hope she is able to get the support and advice she needs to address the other challenges she is facing too.

Miss N accepted my decision, but Virgin Money disagreed. In summary it explained its approach towards using household income in affordability assessments. Virgin Money said it had cash withdrawal thresholds within its business controls to ensure proportionate lending decisions were made. It said that Miss N's circumstances were within these thresholds.

Virgin Money further stated that it believed Miss N's financial difficulties didn't become apparent until several months after it had agreed to provide the credit card account.

Lastly, Virgin Money said Miss N had benefitted from balance transfers. And that it could not ensure that Miss N closed the accounts to which the balance transfer funds were paid. Virgin Money said that consumers need to take some responsibility for their actions.

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 carefully considered Virgin Money's arguments, but I'm still not persuaded the checks it conducted were proportionate in the circumstances of this complaint.

As I referred to above, there were several factors I thought about when considering this complaint. These issues gave clear warning signs that Miss N may be experiencing financial difficulties. When the issues are combined, I consider it would have been fair and reasonable for Virgin Money to understand more about Miss N's circumstances before agreeing to lend to her.

Whilst the CRA data didn't show adverse data until after the Virgin Money account was opened, I believe reasonable and proportionate checks by Virgin Money would have highlighted Miss N may have been struggling financially. Virgin Money said the cash advances Miss N had taken fell within its thresholds. But I still believe this is an indicator that Miss N may have been experiencing some difficulties. And the amount of the cash advances and their proximity to the lending by Virgin Money should have driven further consideration of Miss N's overall financial position. When Miss N's income and expenditure were fully considered, the resulting disposable income was limited. And, in addition, there were clear demands on Miss N's finances driven by her lifestyle spending, which Miss N has told us was as a consequence of the pressure she felt due to her concerns about her finances.

Lastly, I accept that consumers need to take responsibility for their actions and that Virgin Money was unable to ensure that other accounts were closed following the balance transfers. But had Virgin Money conducted additional checks, it would have identified the issues Miss N was facing and concluded that repayment of the borrowing would likely be unsustainable for Miss N. And therefore, it was unfair to potentially increase Miss N's indebtedness.

For those reasons, I'm upholding this complaint.

I've also 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 Miss 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

As I don't think Virgin Money ought to have opened the account, I don't think it's fair for it to be able to charge any interest or charges under the credit agreement. But I think Miss N should pay back the amounts she has borrowed. Therefore, Virgin Money should:

- 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 Miss N 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 her credit file.
- Or, if after the rework there is still an outstanding balance, Virgin Money should arrange an affordable repayment plan with Miss N for the remaining amount.

Once she's cleared the balance, any adverse information in relation to the account should be removed from her 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 Miss N a certificate showing how much tax has been taken off if she asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

My final decision

For the reasons explained above, it is my final decision that I uphold this complaint and Clydesdale Bank Plc, trading as Virgin Money, must put things right as explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss N to accept or reject my decision before 19 May 2026.

David Hilton
Ombudsman