

## **Complaint**

Miss R has complained about a credit card Clydesdale Bank Plc (trading as “Virgin Money”) provided to her. She says she shouldn’t have been provided with a credit card as it was unaffordable due to already having significant debts elsewhere.

## **Background**

Virgin Money provided Miss R with a credit card with a limit of £4,000.00 in December 2022. The credit limit on the card was never increased.

One of our investigators reviewed what Miss R and Virgin Money had told us. And he thought Virgin Money hadn’t done anything wrong or treated Miss R unfairly. So he didn’t recommend that Miss R’s complaint be upheld.

Miss R disagreed and asked for an ombudsman to look at her complaint.

## **My findings**

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

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Miss R’s complaint.

Having carefully considered everything, I’ve decided not to uphold Miss R’s complaint. I’ll explain why in a little more detail.

Virgin Money needed to make sure it didn’t lend irresponsibly. In practice, what this means is Virgin Money needed to carry out proportionate checks to be able to understand whether Miss R could afford to repay any credit it provided.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to lend to a customer irresponsibly.

Virgin Money says it agreed to Miss R’s application for a credit card after it obtained information on her income and carried out a credit search. And the information obtained indicated that Miss R would be able to make the monthly repayments due on a credit limit of £4,000.00. On the other hand, Miss R says that she shouldn’t have been lent to given her existing debts at the time.

I've considered what the parties have said.

What's important to note is that Miss R was provided with a revolving credit facility rather than a loan. And this means that to start with Virgin Money was required to understand whether a credit limit of £4,000.00 could be repaid within a reasonable period of time, rather than all in one go. It's fair to say that a credit limit of £4,000.00 required reasonably sized monthly repayments, rather than the whole amount to be paid in one go, in order to clear the full amount owed within a reasonable period of time.

From the information provided, it looks like Miss R declared that she was employed and earning £65,000.00 a year. There isn't anything to indicate that this wasn't accurate at the time. Indeed Virgin Money appears to have cross checked this against information from credit reference agencies on the amount of funds Miss R was receiving into her bank account each month and this didn't suggest any inconsistency.

Virgin Money's credit check also did not indicate that Miss R had had any recent previous difficulties repaying credit – such as defaulted accounts or county court judgements - either. Furthermore, while Miss R had active debt balances of around £22,000.00 at the time of the application – of which around £7,000.00 was on existing credit cards – this wasn't excessive compared to the validated income.

Nonetheless, I do think that given the amount being lent, there is a reasonable argument for saying that it would have been reasonable and proportionate for Virgin Money to find out a bit more about Miss R's regular living costs before offering the credit card. That said, having considered the evidence provided, I don't think that Virgin Money obtaining further information on Miss R's committed regular living expenses at the time, is likely to have led it to conclude that she did not have the funds to sustainably make the repayments due.

So, in these circumstances, it's difficult for me to conclude that Virgin Money would have found out that Miss R would be placed in a worse position, at this time, even if it had tried to find out more about Miss R regular living costs before taking the decision to offer her this credit card.

I fully accept it's possible that Miss R's position might have been worse than what it looks like from the information I've been provided with. But it wouldn't be fair and reasonable for me to use hindsight here, or say that Virgin Money should have known this was the case at the time it was making its lending decision. This is especially as the available information provided does not show me that Miss R could not repay what she could owe at the time the lending decision was made.

So overall while I'm sorry to hear that Miss R has found and is finding making her credit card payments a struggle, I don't think that Virgin Money treated Miss R unfairly or unreasonably when providing her with her credit card. And I'm not upholding Miss R's complaint. I appreciate this will be very disappointing for Miss R. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

### **My final decision**

For the reasons I've explained, I'm not upholding Miss R's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss R to accept or reject my decision before 15 April 2024.

Jeshen Narayanan  
**Ombudsman**