

## **The complaint**

Miss D complains that Clydesdale Bank Plc trading as Virgin Money irresponsibly allowed her to open an unaffordable credit card account.

## **What happened**

Miss D says she opened a Virgin Money credit card account in February 2022. She says the lending decision was irresponsible as she was in debt at the time with numerous other credit card accounts. Miss D says her income was low and the repayments were unaffordable causing her distress. She would like the interest refunded.

Virgin Money says it carried out appropriate checks on the application and says there were no signs of financial problems. It says Miss D made appropriate payments until 2024 and would have had under £100 disposable income per month after deductions.

Miss D brought her complaint to us, and our investigator upheld the complaint. The investigator thought that Miss D would have been left with about £81 a month after monthly repayments and that the account was unaffordable.

I asked both sides for further information. Miss D says she had a gambling habit which was shown on her bank account statements. Virgin Money says the debt of just over £10,000 was affordable according to its calculations.

## **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.

Having done so I have come to the overall decision that Virgin Money should not have opened an account for Miss D as it was unaffordable.

Lenders and credit card providers should carry out reasonable and proportionate checks on any lending application. Those checks will of course vary depending on the type and amount of any lending.

I am satisfied that Virgin Money did check Miss D's application and concluded that she didn't have any adverse information such as defaults or arrears on her credit file. I can also see that it did calculate her existing debt and that Miss D provided details of her income.

I have looked carefully at Miss D's credit file, and I am satisfied that at the time of the application in February 2022 she had five other credit card accounts. The outstanding overall balance at that time was over £10,000 and that Miss D was close to the credit limit on each of the accounts. I can also see that even taking Virgin Money's calculations of the repayments, that Miss D would have been left with less than a £100 a month in disposable income.

So, I am satisfied that Virgin Money ought to have been concerned about Miss D's financial position and asked itself why she wanted another credit card account in these

circumstances. I think it ought to have carried out further checks on the application. For example, if Virgin Money had looked at Miss D's bank statements it would have seen that she was gambling heavily and that the account was on occasions overdrawn. I think it likely that if Virgin Money had carried out further checks on the application that it likely it would not have opened the account.

I am also satisfied that Miss D, whilst making regular payments towards her other credit card accounts, was only repaying amounts close to the minimum amounts. And that she had opened another credit card account in the days before this application. I am satisfied all of these factors ought to have been considered by Virgin Money before approving the application and I can't see any evidence that it did consider them.

### **Putting things right**

Virgin Money should rework the account as recommended by the investigator. I am satisfied that Miss D had the benefit of the money and so it would be unfair to direct Virgin Money to write off the balance. Virgin Money should refund any interest and deduct it from the balance owed by Miss D. If there is an outstanding balance due to Miss D, then it should pay 8% simple interest per year on that amount from the date of the payments to the settlement date. If His Majesty's Revenue and Customs require Virgin Money to deduct any taxation from that payment, then it must provide a certificate of deduction if Miss D requires one. Virgin Money should remove any adverse information it has recorded on Miss D's credit file after any agreed repayment plan has ended.

I don't consider compensation appropriate here.

### **My final decision**

My final decision is that I uphold this complaint and direct Clydesdale Bank Plc trading as Virgin Money to refund any interest and charges paid by Miss D and deduct them from any balance owed as set out above. If there is a refund due to Miss D then it should pay interest on that amount as set out and if not then it should agree an affordable interest free repayment plan.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss D to accept or reject my decision before 13 August 2024.

David Singh  
**Ombudsman**