

## **The complaint**

Mrs J complains that Clydesdale Bank Plc, trading as Virgin Money (“Clydesdale”), lent to her irresponsibly when it gave her a credit card that she says she couldn’t afford.

## **What happened**

Mrs. J took out a credit card with Clydesdale in December 2016. It had a credit limit of £8,500 and the credit limit was never increased

In 2023 Mrs. J complained to Clydesdale about the lending. She said that she was in financial difficulty at the time and Clydesdale shouldn't have lent to her. She asked that Clydesdale repay the interest and charges she incurred on the account and that it pay her 8% statutory interest on the repayment. She also asked the Clydesdale to amend her credit file to reflect that it shouldn't have lent to her.

Clydesdale didn't uphold Mrs J's complaint. It said it had completed necessary and proportionate checks and haven't done anything wrong when it lent to her. Mrs. J didn't agree with Clydesdale, so she brought her complaint to this service.

Our investigator reviewed Mrs J's complaint and agreed with Mrs J that Clydesdale shouldn't have lent to her. Clydesdale didn't agree with this outcome and the so the complaint was passed to me to make a decision.

When I reviewed the complaint I reached a different conclusion to our investigator. I wrote to both parties explaining my provisional decision and inviting each party to provide me with any further comments or evidence they wished me to consider.

Clydesdale agreed with my provisional decision. Mrs J indicated that she did not agree and said she would provide further comments by 20 June 2024. No comments were received by then, but Mrs J indicated that she had responded and that the email must have been lost. She undertook to re-send the email by 5pm on 26 June 2024. However, no email was received by the investigator on that day or since. Careful checks have been made by the investigator and me and I am satisfied that no email has been received and missed. So, I have concluded Mrs J’s complaint on the basis of the information available to me.

## **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.

we've set out our general approach to complaints about unaffordable and irresponsible lending dash including the key relevant rules, guidance and good industry practise dash on our website and I've taken that into account when I have considered Mrs J's complaint.

Having done so, I have concluded that I should not uphold Mrs J's complaint. I will explain why.

Clydesdale needed to take reasonable steps to ensure that it didn't lend irresponsibly. In

practice this means that it should have carried out proportionate checks to make sure Mrs. J could afford to repay what she was being lent in a sustainable manner. Certain factors might point to the fact that Clydesdale should fairly and reasonably have done more to establish that any lending was sustainable for Mrs J. These factors include things like understanding Mrs J's income, the total amount Mrs J borrowed, her management of her existing credit and the length of time Mrs J had been indebted. There is no prescriptive list of checks a business should do.

When Mrs J applied for her credit card she declared an income of £37,862 and a total household income of £64,862. Clydesdale looked at Mrs J's financial circumstances. It conducted a credit search, the results of which it provided to me. Bureau data was used to confirm what Mrs J had said about her income and mortgage payments. It noted her outstanding borrowing and how much she was paying for it each month. It noted that she had no adverse information on her credit file – there were no arrears, defaults or County Court Judgments on her record, so it looked like she was managing her existing borrowing well. To understand her essential living expenses it used Office of National Statistics data to model her outgoings. This is standard industry practice to help establish lending is affordable.

Having done so, Clydesdale concluded that Mrs J could afford the borrowing.

Our investigator reviewed Clydesdale's figures. They noted that Clydesdale calculated Mrs J had a disposable income of around £770 a month. Sustainable repayments on the credit card if Mrs J used the whole available credit limit and paid interest on the whole balance would have been around £425 a month.

Mrs J had around £5,000 of unsecured debt with a loan of £1,200 taken less than three months before the credit card application. Our investigator thought that given the relatively high level of lending compared to Mrs J's income that Clydesdale ought to have done more to check Mrs J could afford the borrowing. Our investigator said if it had, Clydesdale would have seen that Mrs J had a large overdraft and had taken some short term lending, both of which might have indicated she was in financial difficulty.

I disagreed. In my provisional decision I explained that I considered Clydesdale's checks to be proportionate to the proposed lending and that Clydesdale acted appropriately on the outcome of those checks. Mrs J indicated in her application form that she was intending to use the majority of her credit limit to conduct a balance transfer. She was effectively intending to shift debt to take advantage of an interest free deal, meaning she would be paying less to service that debt and would clear her balance sooner, so she would be in a better position by taking out the credit card. And I can see that this is exactly what she did when she was given the credit card. She transferred a total debt of £7,488 in the says after opening the account.

I think Clydesdale was entitled to rely on Mrs J's stated intention to transfer balances when it made its assessment of affordability. And as Mrs J already appeared to be managing her finances well and had sufficient disposable income to cover repayments (even if she didn't transfer her balance), Clydesdale didn't have a reason to think that by providing her with a facility to pay less interest on her existing lending this wouldn't be affordable.

While with the benefit of hindsight it is clear that Mrs J has had difficulty in meeting her repayments I don't think this was something Clydesdale could have reasonably understood at the time of the application. I am satisfied that Clydesdale's check were necessary and proportionate and I think Clydesdale acted fairly on the outcome of those checks. This means I don't think Mrs J lost out as a result of anything Clydesdale did wrong and I don't think it needs to do anything further.

**My final decision**

I do not uphold Mrs J's complain which means I don't direct Clydesdale Bank Plc to do anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs J to accept or reject my decision before 31 July 2024.

Sally Allbeury  
**Ombudsman**