

The complaint

Miss M complains that Clydesdale Bank Plc trading as Virgin Money lent irresponsibly when it approved her credit card application earlier this year.

What happened

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

In April 2023 Miss M applied for a credit card with Virgin Money. In Miss M's application she said she was employed with an income of £32,000 and that there was a total household income of £54,000, Miss M also said she was a tenant with rent of £260 a month. Virgin Money says it carried out a credit search and found Miss M owed £494 in unsecured debt to other lenders with payments of £21 a month. Virgin Money also says it used national statistics and applied outgoings of £939 a month meaning Miss M had around £755 surplus from her income (without taking the household income into account). Virgin Money says it applied its lending criteria to Miss M's application and approved a credit card with a limit of £2,000.

Miss M went on to complain that Virgin money lent irresponsibly when it approved her credit card application and it issued a final response on 26 June 2023. Virgin Money didn't uphold Miss M's complaint and said her application had been approved in line with its lending criteria.

An investigator at this service upheld Miss M's complaint. They thought the credit limit of £2,000 Virgin Money had approved was high in comparison to Miss M's income of £32,000. In addition, the investigator said Miss M had opened two other credit cards within a week of her application to Virgin Money. The investigator thought Virgin Money should've carried out more comprehensive checks, like obtaining copies of Miss M's bank statements before deciding whether to approve her credit card.

The investigator looked at Miss M's banks statements from the months preceding her application. They found a significant number of gambling transactions on Miss M's bank statements and thought that if Virgin Money had seen them, it would've declined her credit card application. The investigator upheld Miss M's complaint and recommended that Virgin Money refund all interest, fees and charges applied to her credit card. Virgin Money asked to appeal and didn't agree it should've done more before approving the credit card. As Virgin Money asked to appeal, Miss M's 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.

Our approach to considering complaints about unaffordable and irresponsible lending is set out on our website. I've had this approach in mind when considering what's fair and reasonable in the circumstances of this complaint.

Before providing credit, lenders need to complete reasonable and proportionate affordability checks. There isn't a set list of checks a lender is required to carry out, but it needs to ensure the checks are proportionate when considering things like: the type and amount of credit being provided, the size of the regular repayments, the total cost of the credit and the consumer's circumstances.

I'm sorry to disappoint Miss M but I've reached a different decision to the investigator. Based on the information I've seen so far, I haven't been persuaded that Virgin Money lent irresponsibly. I'll explain why.

When Miss M applied for the credit card she gave Virgin Money information about her circumstances, including her income and residential status. Miss M said she was earning £32,000. Whilst Virgin Money noted the overall household income of £54,000 it based its lending decision was based on Miss M's sole income. In addition, Miss M confirmed how much rent she pays and Virgin Money used national statistics to obtain an average outgoings figure. I can see Virgin Money applied regular outgoings figure of £939 a month and calculated Miss M had around £755 remaining.

I've looked at the information Virgin Money found on Miss M's credit file. Virgin Money found Miss M owed a reasonably low amount to her creditors, totalling £494 with monthly repayments of £21. I'm satisfied Virgin Money factored Miss M's existing debts into its lending assessment.

I understand the investigator said Virgin Money should've noted that Miss M had applied for two other credit cards within a week of her application. But there's normally a delay in new accounts being reported on a consumer's credit file of around four weeks. So when Miss M applied to Virgin Money it's very unlikely it would've found those applications on her credit file.

Virgin Money approved a credit limit of £2,000 against Miss M's income of £32,000. I'm not persuaded that in itself would've meant Virgin Money needed to carry out further checks like obtaining Miss M's bank statements.

I'm sorry to disappoint Miss M but based on the information I've seen so far I haven't been persuaded that the level of checks Virgin Money completed was unreasonable. In my view, Virgin Money completed proportionate checks when applying its lending criteria to Miss M's application. As a result, I haven't been persuaded it lent irresponsibly.

I invited both parties to respond with any additional comments or information they wanted me to consider before I made my final decision. Miss M responded and asked how a different member of staff had reached another conclusion regarding her complaint. Miss M also said that if there was an element of doubt, she feels her complaint ought to be upheld. Virgin Money responded and confirmed it had nothing further to add.

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 am sorry that the conclusions I reached in my provisional decision disappointed Miss M. I appreciate I reached a different decision to the investigator. But we operate a two stage process and when a case is referred for appeal, as Miss M's was, my role is to review the complaint independently of the original investigation completed. I took the step of issuing a provisional decision to set out how I'd reached my decision and give both parties the chance

to respond with any further comments they wanted me to take into account – in line with our process.

In response Miss M said that it's not her fault that the credit file didn't update right away to reflect the accounts she'd applied for shortly before her application to Virgin Money was made. I take Miss M's point, but my decision relates to how Virgin Money's actions and whether it lent responsibly when it approved her credit card. The investigator's findings said Virgin Money should've seen the new credit commitments Miss M had taken out when she applied for her credit card. But as I said in my provisional decision, those accounts wouldn't be visible on her credit file when Miss M made her application to Virgin Money due to how new they were. So Virgin Money wouldn't have been aware of Miss M's new accounts or factored them in when she made the application.

I remain of the view that the checks Virgin Money completed were reasonable and proportionate to the type and amount of credit Miss M was applying for. I haven't seen anything that ought to have caused Virgin Money to carry out further checks and I'm satisfied it lent responsibly based on the information available. I'm sorry to disappoint Miss M but I haven't found grounds to change the conclusions I reached in my provisional decision.

My final decision

My decision is that I don't uphold Miss M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 31 January 2024.

Marco Manente
Ombudsman