

The complaint

Miss M says Clydesdale Bank Plc, trading as Virgin Money, irresponsibly lent to her.

What happened

Miss M applied for a credit card from Virgin Money on 1 October 2022. She was given a £3,100 limit and used the card on 4 and 9 October 2022 for two money transfers totalling £2,824. These were on a 0% promotional interest rate for 12 months.

Miss M says she was desperate when she applied, she was overdrawn and had other credit cards. She was pregnant and needed to free up her overdraft facility to buy things for her baby. She can't afford to repay the debt; this has left her very stressed and she feels hounded by Virgin Money. It called her frequently and she had asked for all communication to be in writing.

Virgin Money says it carried out appropriate checks using information provided by Miss M and the credit reference agencies. It then assigned an affordable credit limit. It showed it provided Miss M with contact details of its specialist support team that helps customers with financial difficulties.

Our investigator upheld Miss M's complaint. She thought Virgin Money's checks were not proportionate and better checks would have shown the card was not affordable. However, she felt there was no evidence that Virgin Money's contact with Miss M, after she fell into arrears, had been unreasonable.

Virgin Money disagreed and asked for an ombudsman's review. It said it seemed Miss M had misrepresented her circumstances at application as she did not declare any likely change in income and she would have been aware of this. Also the difficulties she experienced in her pregnancy could not have been foreseen. It feels her living expenses seem very high given she was living with her parents. It also feels the investigator used a high monthly repayment rate given the credit was on a 0% rate for 12 months.

I reached a different conclusion to the investigator so I issued a provisional decision. An extract follows and forms part of this final decision. I asked both parties to send any comments or new evidence by 27 December 2023.

Extract from my provisional decision

I can see Virgin Money asked for some information from Miss M when she applied. It asked for her employment details and for her gross annual income (£14,000). It verified this with a credit reference agency by checking her current account turnover. It carried out a credit check to understand her credit history and existing credit commitments. It estimated her outgoings using national statistics and asked about her household income and her residential status. From these checks it concluded Miss M would be able to afford a £3,100 limit on the card as she had £400 disposable income each month.

I think these checks were proportionate and given the initial results and I don't think the

lender needed to carry out any further checks. I'll explain why.

Miss M was on a relatively low income but Virgin Money verified this with an external data source. This showed a slightly higher figure but it used the lower of the two. And had it done further verification such as asking for a payslip, I can see from Miss M's bank statements that the figure it used was accurate.

The credit check showed that Miss M had a low level of debt elsewhere (£3,026) and she was spending £77 each month to maintain this debt. Miss M had nine active credit accounts and none of them were in arrears. Miss M had opened no new accounts in the last three months and the total balance on the accounts she had opened between four and 12 months ago was only £17. So I think it was fair for Virgin Money to conclude there were no indicators of financial pressure. And in this context I am satisfied it was proportionate for it to rely on statistical data to estimate her living expenses and disposable income.

It follows I do not think Virgin Money was wrong to give this card to Miss M. To be clear, I am not saying it's not plausible that Miss M's financial position was more challenging than the checks showed. Rather, that given the nature of the lending and the results of the initial checks, I think Virgin Money made a fair lending decision based on proportionate checks. I do not think it would have been proportionate for it to carry out the level of financial review needed to possibly discover otherwise.

Miss M has pointed out that she was around £2,000 overdrawn but she applied for this card to allow her to take out a money transfer and repay that overdraft (which she did on 4 October). This means it was to her financial benefit, rather than detriment, as it allowed her to move higher cost debt onto an interest free rate for 12 months.

I have then looked at whether Virgin Money treated Miss M unfairly in some other way. I don't think it did. Miss M says she felt hounded after she missed payments, but I have not seen any evidence that the lender's contact strategy was unreasonable or excessive. And it has evidenced that Miss M had selected both phone and post as her preferred contact methods.

I am sorry Miss M is struggling financially, the investigator sent details of organisations that provide free debt management advice and I hope she now has the support she needs.

Miss M responded saying she was fine with the decision. She later raised other issues relating to her payment plan. The investigator explained that as the payment plan was not considered under this complaint Miss M would need to complain to Virgin Money first to give it the opportunity to investigate and respond. But she could then bring a new complaint to this service if she was unhappy with its response.

Virgin Money did not reply.

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 - including the key relevant rules, guidance and good industry practice - on our website and I've taken that into account when considering Miss M's complaint.

As neither party sent in any new information or comments relating to the subject of this complaint I have no reason to change the findings or conclusion I reached.

It follows I do not find Virgin Money irresponsibly lent to Miss M.

My final decision

I am not upholding 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.

Rebecca Connelley
Ombudsman