

The complaint

Miss N says Clydesdale Bank Plc, trading as Virgin Money, irresponsible lent to her.

What happened

In April 2022 Miss N opened a credit card account with Virgin Money. She was given a credit limit of £8,300 and transferred in balances of £6,000 and £1,725 onto a promotional 0% interest rate until 28 February 2025.

Miss N says the credit was not affordable to her. She has no money left at the end of a month and asks for all fees to be refunded.

Virgin Money says it assessed the affordability before lending to Miss N and assigned an appropriate credit limit.

Our investigator did not uphold Miss N's complaint. He said Virgin Money lent responsibly. Whilst he felt it should have checked Miss N's actual income, had it done so it could fairly have made the same lending decision based on what Miss N's bank statements from the time showed.

Miss N disagreed with this assessment and asked for an ombudsman's review. She said the investigator has taken into account savings she used to supplement her salary whilst she was on maternity leave which is unfair. And her outgoings weren't as high as they would usually be either, as she was on maternity leave the statements only show the bare minimum.

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.

Our approach to unaffordable/irresponsible lending - including all the relevant rules, guidance and good industry practice - is set out on our website and I have followed it here.

Virgin Money is required to lend responsibly. It needed to conduct checks to make sure that the credit card it was giving to Miss N was affordable and sustainable. Such checks need to be proportionate to things like the credit limit it offered Miss N, how much she had to repay (including interest and charges) each month, her borrowing history with it and what it knew about her circumstances. But there is no set list of checks it had to do.

This means to reach my decision I need to consider if Virgin Money carried out proportionate checks at the time of Miss N's card application; if so, did it make a fair lending decision based on the results of its checks; and if not, what better checks would most likely have shown.

When Miss N applied for the credit card Virgin Money asked about her gross annual income (£60,000) and household income (£160,000). It verified her declared income with an external

agency and used a lower figure (around £33,000) based on these checks. It carried out a credit check to understand her credit history and existing credit commitments. Based on the results of these checks Virgin Money concluded Miss N could sustainably afford the card with a limit of £8,300.

I am not wholly satisfied these checks were proportionate based on the initial results. The work Virgin Money did to verify Miss N's income showed her to be earning almost half what she had declared. I think given the size of this discrepancy it ought to have asked for evidence of her actual salary, and wider financial situation, to ensure the card was affordable.

In cases like this we look at bank statements from the months prior to the credit application. I am not saying Virgin Money had to do exactly this, but it is a reliable way for me to understand Miss N's financial position at the time. Miss N's statements for the three months before show average monthly incomings of around £2,900 made up of salary payments, HMRC credits and what Miss N has confirmed was money she had saved to supplement/replace income whilst she was on maternity leave.

So had Virgin Money carried out a fuller income review I think it could fairly have made the same decision that the credit was affordable for Miss N. In addition, from what I can see on the statements there were no signs of financial difficulties such as the persistent reliance on an overdraft, use of payday loans, or returned direct debits. And there was a relatively high level of discretionary spend. I know Miss N argues her fixed outgoings were normally higher, but unless she had disclosed more about her circumstances to Virgin Money I am not sure it could have known this from proportionate checks. I also don't find it would have been unreasonable for the lender to take into account money Miss N had saved to use whilst on maternity leave. Arguably, as she had that facility, it could in the circumstances have been discriminatory not to consider it.

And none of the information in Virgin Money's credit check showed that Miss N might struggle to make her repayments. She had just over £13,400 of debt across nine active accounts. All were up-to-date and she had no historic adverse data on her file, such as defaults or County Court Judgments. Her monthly credit repayments were around £570. And Miss N was taking out the card, for the most part, to transfer interest-earning balances onto its 0% interest rate for three years. It was only extending Miss N's total credit exposure by £575, and was allowing her to move £7,725 of interest-bearing debt onto a 0% interest rate thereby reducing her monthly cost of credit.

It follows I don't think Virgin Money was wrong to give the card to Miss N.

My final decision

I am not upholding Miss N's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss N to accept or reject my decision before 12 December 2023.

Rebecca Connelley
Ombudsman