

Complaint

Mr D has complained about a credit card Clydesdale Bank Plc (trading as “Virgin Money”) provided to him. He says he shouldn’t have been provided with a credit card as it was unaffordable for him.

Background

Virgin Money provided Mr D with a credit card with a limit of £6,300.00 in May 2022. The credit limit on the card was never increased.

One of our investigators reviewed what Mr D and Virgin Money had told us. And she thought Virgin Money hadn’t done anything wrong or treated Mr D unfairly. So he didn’t recommend that Mr D’s complaint be upheld.

Mr D disagreed and asked for an ombudsman to look at his complaint.

My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Mr D’s complaint.

Having carefully considered everything, I’ve decided not to uphold Mr D’s complaint. I’ll explain why in a little more detail.

Virgin Money needed to make sure it didn’t lend irresponsibly. In practice, what this means is Virgin Money needed to carry out proportionate checks to be able to understand whether Mr D could afford to repay any credit it provided.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to lend to a customer irresponsibly.

Virgin Money says it agreed to Mr D’s application for a credit card after it obtained information on his income and carried out a credit search. And the information obtained indicated that Mr D would be able to make the monthly repayments due on a credit limit of £6,300.00. On the other hand, Mr D says that he shouldn’t have been lent to given his existing debts at the time.

I've considered what the parties have said.

What's important to note is that Mr D was provided with a revolving credit facility rather than a loan. And this means that to start with Virgin Money was required to understand whether a credit limit of £6,300.00 could be repaid within a reasonable period of time, rather than all in one go. It's fair to say that a credit limit of £6,300.00 required reasonably sized monthly repayments, rather than the whole amount to be paid in one go, in order to clear the full amount owed within a reasonable period of time.

From the information provided, it looks like Mr D declared that he was employed and earning £42,000.00 a year. There isn't anything to indicate that this wasn't accurate at the time. Indeed Virgin Money appears to have cross checked this against information from credit reference agencies on the amount of funds Mr D was receiving into his bank account each month and this didn't suggest any inconsistency.

Virgin Money's credit check also did not indicate that Mr D had had any recent previous difficulties repaying credit – such as defaulted accounts or county court judgements - either. Furthermore, while Mr D had active debt balances of around £16,000.00 at the time of the application – this wasn't excessive compared to the validated income.

Nonetheless, I do think that given the amount being lent, there is a reasonable argument for saying that it would have been reasonable and proportionate for Virgin Money to find out a bit more about Mr D's regular living costs before offering this credit card. That said, having considered the evidence provided, I don't think that Virgin Money obtaining further information on Mr D's committed regular living expenses at the time, is likely to have led it to conclude that he did not have the funds to sustainably make the repayments due.

Mr D has referred to other debts on his statements and the fact that his income was lower than what Virgin Money believed. But I've already explained why Virgin Money was entitled to rely on the income Mr D declared and that it was also entitled to rely on the debts it found out about as a result of carrying its credit checks. And when Mr D's regular living expenses are added to what Virgin Money knew of his debts and it is deducted from what it knew about his income, the payments required for this card appear affordable.

This is without even counting the savings Mr D would make as a result of the promotional balance transfer rate on the Virgin Money credit card either. So, in these circumstances, it's difficult for me to conclude that Virgin Money would have found out that Mr D would be placed in a worse position, at this time, even if it had tried to find out more about Mr D's regular living costs before taking the decision to offer him this credit card.

I fully accept it's possible that Mr D's position might have been worse than what it looks like from the information I've been provided with. But it wouldn't be fair and reasonable for me to use hindsight here, or say that Virgin Money should have known this was the case at the time it was making its lending decision. This is especially as the available information provided does not show me that Virgin Money ought to have known that Mr D could not repay what he could owe at the time the lending decision was made.

So overall while I'm sorry to hear that Mr D has found making his credit card payments a struggle, I don't think that Virgin Money treated Mr D unfairly or unreasonably when providing him with his credit card. And I'm not upholding Mr D's complaint. I appreciate this will be very disappointing for Mr D. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mr D's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 24 April 2024.

Jeshen Narayanan
Ombudsman