

The complaint

Miss M complains that Clydesdale Bank Plc trading as Virgin Money was irresponsible when it offered her credit.

What happened

Virgin Money opened a credit card account for Miss M in April 2022 with a credit limit of £2,400. This type of credit was an open-ended or running account facility. I understand that Miss M transferred a balance on opening the account and benefitted from a zero interest offer, and that the account wasn't in arrears as of June 2023.

Miss M complained to Virgin Money earlier this year in February that it had been irresponsible to open the account for her because she couldn't afford the repayments and had to borrow to meet them. Miss M said that she had significant debts at the time, and that Virgin Money should have seen this and conducted further checks before lending to her.

Virgin Money didn't uphold Miss M's complaint. It said it relied on information she'd provided along with information from her credit file, and there was nothing in the information it relied on to suggest that she was in financial difficulty. Virgin Money concluded that it acted correctly in opening the account for Miss M and providing her with £2,400 of credit.

Miss M brought her complaint to us. Our investigator assessed the complaint and didn't recommend that it be upheld. They found that Virgin Money conducted proportionate checks before opening the account for Miss M and that there wasn't anything in the checks which suggested that the credit would be unaffordable for her.

Miss M disagreed with our investigator's recommendation and asked for her complaint to come to an ombudsman to review and resolve.

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've also had regard to the regulator's rules and guidance on responsible lending (set out in its consumer credit handbook – CONC) which lenders, such as Virgin Money, need to abide by. Virgin Money will be aware of these, and our approach to this type of lending is set out on our website, so I won't refer to the regulations in detail here but will summarise them.

Before entering into a credit agreement, Virgin Money needed to check that Miss M could afford to repay the credit out of her usual means, within a reasonable period of time, without having to borrow further and without experiencing financial difficulty or other adverse consequences. The checks needed to be proportionate to the nature of the credit, for example the amount offered, and to Miss M's particular circumstances. Ultimately,

Virgin Money needed to treat Miss M fairly and take full account of her interests when making its lending decision.

With this in mind, my considerations are did Virgin Money complete reasonable and proportionate checks when it opened the account for Miss M to satisfy itself that she would be able to repay the credit offered within a reasonable period of time? If it didn't do this, what would reasonable and proportionate checks have shown and, ultimately, did Virgin Money make a fair lending decision?

Virgin Money recorded that Miss M had a gross income of £37,500 or a net monthly figure of £2,434 when she applied for credit. It checked this figure using a credit reference agency (CRA) tool which considers bank account turnover. Miss M said on her application that she paid £330 a month for her rent. Virgin Money estimated that Miss M spent £252 a month repaying her existing debts based on information from her credit file, plus an amount of £995 on her essential living costs. This left Miss M with an estimated £857 each month and Virgin Money concluded that the credit card repayments would be affordable for her.

The regulations at the time stated that it wasn't generally sufficient for a lender to rely solely on a customer's statement of current income in a creditworthiness assessment. I appreciate that Virgin Money sense-checked what Miss M said about her income but I can't see that it considered her actual means. That said, Miss M has provided us with some bank statements from the time which show that her income was about what she'd said in her application, and so further consideration of this figure wouldn't have revealed a significant inconsistency. Miss M told us that her expenses came to around £982 a month, plus her rent, which isn't very different from the figures Virgin Money relied on.

Virgin Money said that there was no adverse information recorded on Miss M's credit file and noted that she had existing unsecured debts amounting to £6,723 of which £6,138 was revolving credit. It provided us with a copy of the credit file information it relied on and I've reviewed this and it does support Virgin Money's analysis.

Miss M shared with us that she was in financial difficulty and struggling to manage her escalating debt when the account was opened. She provided us with a recent copy of her credit file which showed she had significantly more debts at the time than revealed on Virgin Money's credit check, including two recent large loans with combined monthly repayments of around £450. I don't know why the information Virgin Money saw differed from Miss M's credit report. It may be that the information was provided by different CRAs. From Virgin Money's perspective it had considered how much Miss M was paying towards her existing debts and how she was managing these. The regulations aren't prescriptive about how lenders should conduct their checks and I can't say that Virgin Money should have done more here.

Altogether, I've concluded that Virgin Money gathered sufficient information to conduct a reasonable and proportionate assessment. I haven't seen anything in the information it gathered which I think should have prompted it to either decline to lend to Miss M or to ask for more information about her circumstances, given the level of credit it was offering. It follows that I've found Virgin Money wasn't irresponsible to lend to Miss M on the basis of the information it had and so I am not upholding her complaint.

I appreciate that this will be very disappointing for Miss M. I am sorry to hear that things were so difficult for her and also that I am unable to provide the outcome she wishes. I would remind Virgin Money of its obligations to treat Miss M with forbearance and due consideration if she is struggling with her repayments, which may mean agreeing an affordable repayment plan for any outstanding balance.

My final decision

As I've explained above, I am not upholding Miss M's complaint about Clydesdale Bank Plc trading as Virgin Money and don't require it to pay compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 17 January 2024.

Michelle Boundy
Ombudsman