

The complaint

Mr S says Clydesdale Bank Plc, trading as Virgin Money, irresponsibly lent to him.

What happened

Mr S took out a credit card from Virgin Money on 10 October 2022. He applied to make a balance transfer of £5,000 on a 0% interest rate for 12 months. He was given a credit limit of £4,100 and so made a transfer in of £3,660 on 23 October 2022.

Mr S says the lender's affordability checks were inadequate considering his financial history.

Virgin Money says it carried out checks using the data Mr S provided at application and information held by the credit reference agencies. The account and limit it allocated were appropriate based on Mr S's circumstances at the time.

Our investigator did not uphold Mr S' complaint. He said Virgin Money's checks were not proportionate but better checks would still have shown the credit card to be affordable.

Mr S disagreed and asked for an ombudsman's review. He said the investigator has taken into account income that is both from one-offs (selling items online) and informal borrowing – so not his regular salary. Also, he only had no housing costs or related bills as his mother was covering them at this time due to his financial position. He wants his complaint to be re-assessed using just his salary as income and including his board and bills which were typically around £600 a month.

I reached the same conclusion as the investigator but made different findings 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 that by 3 May 2024.

Extract from my provisional decision

I've looked at the information Virgin Money obtained during the application process. I can see that Virgin Money took details of Mr S's income as well as the total household income, and his housing costs. It says it verified his declared income 'based on age and employment expectation'. It completed a credit check to understand his existing credit commitments and credit history. It has shared the results of these checks. From these checks combined Virgin Money concluded Mr S had a monthly disposable income of £650 and so could afford a credit limit of £4,100.

I am not wholly satisfied these checks were proportionate as I think Virgin Money should have done more to verify Mr S's income. As it knows the regulatory guidelines say that it is not generally enough to rely on an applicant's declaration and here I cannot see that it did more than decide it looked reasonable based on Mr S's age. Its submission says it also considered his occupation but from the data I can only see it asked for the name of his employer, not what his role was. So I don't think its verification went far enough. I say this in part as from its credit check it knew Mr S had £17,828 of debt.

But had it checked Mr S's salary – either from a payslip, bank statement or contract of employment – I think it could fairly have made the same lending decision. Mr S's net monthly income was £1,446.23. Virgin Money knew from the credit check he had a monthly loan repayment of £182. As he was using this card for a balance transfer his 'other' credit card repayment(s) would fall to around £78 a month. It needed to allow around £205 a month for Mr S to repay this card in a reasonable period of time.

As Mr S had declared no housing costs, this left him with £981 a month to cover his living costs and discretionary spend. The credit check had showed no adverse data such as defaults or CCJs. So I think it was therefore reasonable for Virgin Money to offer a £4,100 limit to Mr S. I have also considered that Mr S was applying in order to move debt he was paying interest on from another card and so he was most likely reducing the cost of servicing his debts in the short and medium-term.

I accept that Mr S's financial position may not have been exactly as reflected by these checks. But I do not think it would have been proportionate - based on the stage in the lending relationship, the amount of credit offered and the results of the initial checks - to carry out a more detailed financial review to discover this.

It follows I don't currently think Virgin Money was wrong to lend to Mr S.

I have not seen any evidence Virgin Money acted unfairly towards Mr S in some other way.

I note Mr S has referenced another irresponsible complaint he made that this service upheld. I can only comment here on the individual merits of this complaint. But I would say that there are multiple factors that impact the outcome of each complaint meaning an individual's complaints can have different outcomes.

Neither party sent any comments or new information in response to my provisional decision.

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 I have considered Mr S's complaint.

As neither party sent in any new evidence or points for me to consider, I have no reason to change the findings or conclusion I set out in my provisional decision.

It follows for the reasons set out above I do not find Virgin Money was wrong to lend to Mr S.

My final decision

I am not upholding Mr S's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 4 June 2024.

Rebecca Connelley
Ombudsman