

The complaint

Mr W complains about Clydesdale Bank Plc's, trading as Virgin Money, communications which led to direct debits being refused and an unfair credit marker.

What happened

On 9 and 16 January 2023, Virgin refused two of Mr W's direct debit payments as there were insufficient funds in his account to pay them. Virgin charged two tariffs of £4.00, and they say that they advised Mr W that these would debit his account on 27 February 2023.

However, Mr W says he didn't receive any notification and, due to a lack of funds in his account, this resulted in his account being overdrawn and Virgin reporting this to Credit Reference Agencies (CRA's).

Mr W complained to Virgin and, whilst they were satisfied that they hadn't made an error, they refunded the tariffs as a goodwill gesture.

Mr W is dissatisfied with Virgin and the impact on his credit rating. He feels they should've done more to contact him including sending him an email.

Our investigator's view was that Virgin had fairly applied the charges and the CRA marker. As Mr W remains dissatisfied, this case has been referred to me to look at.

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.

Having done so, I'm not upholding this complaint and I'll explain why.

I should first explain that I can't tell a business to make alterations to their systems, procedures or processes. This because we aren't the regulator of the financial services industry.

Our role is to consider each individual case and, where we think a business hasn't acted fairly and / or reasonably in the circumstances, to decide what should be done to put right any financial, or non-financial losses that a consumer has experienced.

I first considered what caused Virgin to refuse the direct debits and this was due to Mr W having insufficient funds in his account. It is clear the presentation of the direct debits was a mistake and, although Mr W says this was caused by another bank, it wouldn't be fair to hold Virgin responsible for refusing the transactions and implementing their tariff procedure.

However, the dispute here is about Virgin's communication after the two direct debits were refused. As Virgin had Mr W's telephone number and email address, Mr W believes that they didn't treat him fairly. He thinks that, in addition to their letters and APP message which he didn't receive or access, they should've contacted him by additional methods. This is

because they regularly use his email and he didn't receive and therefore wasn't able to act upon the communications that they made and, had they done so, the situation including the negative CRA could've been avoided.

So, I looked closely at the file to see how Virgin communicated with Mr W. Virgin records show they sent Mr W the following 3 letters to his recorded address several weeks before the tariff was charged, and his account became overdrawn on 27 February 2023:

1. 9 January 2023, Virgin informed Mr W that an £85 payment was refused "due to a lack of funds in your account or Arranged Overdraft"
2. 16 January 2023, Virgin informed Mr W that an £85 payment was refused "due to a lack of funds in your account or Arranged Overdraft"
3. 2 February 2023, Virgin confirmed that two £4 fees would be debited from Mr W's account on 27 February 2023

In addition, as Mr W was set up with a Virgin banking APP facility, which had functionality that enabled him to set up and receive notifications, he was sent notifications on 9 and 16 January 2023. As these were instantaneous, they advised him that the direct debits were being taken and allowed him until 3pm to credit his account and avoid tariffs.

I appreciate Mr W says he didn't receive any of Virgin's letters, however I'm satisfied the above letters were dispatched to the correct address and I can't hold Virgin responsible if mail gets lost or misplaced.

As mentioned by our investigator, commercial decisions to use the postal service and APP aren't something our service can comment on unless they are unfair to a customer, and I also consider this was a reasonable way for Virgin to correspond with Mr W. Although Mr W has demonstrated he receives emails from Virgin, I'm satisfied these are predominantly for marketing purposes and non-confidential information.

In addition, management of account funds and direct debit changes are a customer's responsibility, so having correctly sent letters I don't think it is reasonable to expect Virgin to either monitor or chase customers where preventative action doesn't occur.

With regards to Virgin's APP messages, which could've stopped the refusals if they were received, it's clear Mr W wasn't expecting the direct debit transactions or using the APP at the time. So, even if the APP had been set up to receive the notifications Virgin applied, Mr W wouldn't have received them.

However, this is a facility Virgin provide and Mr W has access to, and, although I appreciate the APP functions are optional, Virgin gave Mr W the opportunity to set himself up to receive notification via SMS text alerts. So, as customers can set themselves up for SMS when they're not using the APP or anticipating activity, I think it was reasonable of Virgin to use this method as a secondary and more immediate communication method.

So, having considered all the above, I'm satisfied that Virgin aren't responsible for the failed direct debit, and their communications which would've avoided the charge and CRA marker were fair and reasonable.

My final decision

My final decision is that I'm not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 25 December 2023.

Paul Douglas
Ombudsman