

The complaint

Mr M complains that Clydesdale Bank Plc trading as Virgin Money (Virgin Money) have unfairly applied a late payment fee to his account and a late payment marker to his credit file.

What happened

Mr M holds a credit card account with Virgin Money. On 19 October 2023 he set up a direct debit to make his monthly payments. He did this using the online application (app).

His next monthly payment was due on 29 October, but the direct debit hadn't been set up in time, so the payment was late.

Virgin Money contacted Mr M to let him know that the payment had been missed, and as a result it had applied a late payment fee to the account. Mr M was surprised by this because he thought the payment should've been made by direct debit – so he complained.

Virgin Money said that when a direct debit request is made, it tells the customer that it will confirm once it has been set up, and in the meantime, payments should be made manually. It said it would've informed Mr M of this on the following screen in the app and by letter. Because of this it didn't think it had done anything wrong by applying the late payment fee and marker.

Mr M remained unhappy and brought his complaint to this service. One of our investigators looked into the matter and didn't think Virgin Money had done anything wrong. They were satisfied Virgin Money had informed Mr M to make manual payments until the direct debit set up had been confirmed.

Mr M disagreed. He said the screen following the set up of the direct debit told him he didn't need to do anything further. And so, he thought the direct debit was all set up. He said Virgin Money should've been more specific about dates and what the consequences would be if a payment was missed. He asked for an ombudsman to review the complaint.

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've reached the same outcome as the investigator for broadly the same reasons.

It is the responsibility of the customer to ensure they meet their minimum monthly payments when using a credit card. So, in this instance it was Mr M's responsibility to ensure he made the minimum payment monthly on his Virgin Money credit card.

To help him do this I can see he set up a direct debit using the Virgin Money online app. Virgin Money have sent me a screen shot to show this was the case. So, there's no dispute that Mr M requested the direct debit to be set up. But Mr M says he wasn't told that the direct

debit wouldn't be in place for his next payment, and he should make it manually.

Mr M says he input his details to set up the direct debit and then he received a notification on the following screen which said something along the lines of:

'Relax, we'll take it from here, you don't need to do anything more.'

Because of this he assumed the next monthly payment would be made by direct debit. Mr M hasn't been able to provide any evidence to show this is what he saw, only his recollection.

Virgin Money say that once a customer inputs their direct debit details on the app, they receive a notification on the following screen that says the following:

"We're on it.

We'll confirm your Direct Debit is set up within a few days. We'll tell you in the app and on your statement when we'll take your first payment.

In the meantime...

You'll still need to make payments. Either pay by debit card in the app or check your statement for other ways to pay."

Virgin Money also says that it sends a follow up letter to its customers to explain that the direct debit is being set up and that in the meantime they should make manual payments.

Virgin Money hasn't been able to provide the exact screenshot Mr M would've seen, or a letter addressed to Mr M – but it has provided me with example screenshots and example letters. Because of this, I'm more persuaded by its account of what happens when a direct debit is set up.

I think it's most likely Mr M saw the notification detailed above and I think Virgin Money most likely sent him a follow up letter confirming it was setting up the direct debit and, in the meantime, payments would need to be made manually. Therefore, I think Mr M should've known he would've needed to make his next monthly payment manually, and not relied on the direct debit.

Given this, I don't think Virgin Money should refund Mr M the late payment fee it applied, or it should remove any adverse information it has recorded on his credit file. I understand this won't be the answer Mr M is looking for. But based on the information I have available; I don't think Virgin Money has done anything wrong.

My final decision

For the reasons I've explained above, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 1 March 2024.

Rachel Killian
Ombudsman