

The complaint

Mr O complains as a director of J, a company, that Clydesdale Bank Plc trading as Virgin Money substantially delayed in carrying out J's switching application from one bank to another leading J to make financial losses.

What happened

Mr O applied to switch J's business account from Virgin to the new bank, in July 2022. The switch was rejected I believe because of a particular business loan on the account which couldn't be transferred. The procedure was to open a separate account for that loan as a feeder account. But the application to switch was still rejected for various reasons. When the separate account was opened in respect of the business loan all the direct debits and payments were transferred to that account by mistake. Mr O was also advised to get another director's consent to be removed from the company which wasn't the cause of the switching problems.

The application took around ten months to be finally completed. Mr O also said that there were problems around the payments of some direct debits and about payments to a particular account name. In the course of that Mr O said that he suffered considerable distress and inconvenience. He also said that J had made a substantial loss of profits.

Virgin initially paid £100 compensation and refunded business fees of £464.20. Subsequently, after the switch had been completed, it paid J £1,100 compensation. It said it couldn't pay any financial losses as it didn't consider that it had been shown that J had made losses as a direct result of its errors in setting up the switch.

On referral to the Financial Ombudsman Service, our Investigator said that as things stood Virgin had handled the complaint appropriately. She said that the evidence Mr O supplied of a drop in profits didn't show that they were directly caused by Virgin's errors.

Mr O did not agree and said that J had made direct financial losses.

The matter has been passed to me for further consideration.

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.

In making this decision I have to bear in mind that the complainant in this case is J, a limited company. While I appreciate that this is effectively Mr O's company, as a limited company J can't suffer distress and I cannot make award of compensation for that. This is even though Mr O has clearly been caused a great deal of stress by it. I can make an award of compensation for inconvenience suffered by Mr O because that caused the company inconvenience. For example at one stage Mr O was asked to manually transfer all direct debits himself which would have been very inconvenient for him not least because he is dyslexic, but it did concern the company account.

Turning to the substance of the complaint, I don't doubt that Virgin was responsible for the errors in closing the account and switching it to J's new account. This was caused by various things which weren't explained fully to Mr O at the time. In all, the process took over ten months when it should have taken a couple of weeks. For this Virgin has paid total compensation of £1,200, plus the refund of business fees. Such an award is likely to be fair where the impact of a business's mistake has caused substantial disruption to the running of the business over a sustained period, with the impact felt over many months. Bearing in mind that the award would include any payment for distress, I think that Virgin has acted appropriately here and its total award of £1,200 plus the refund of business fees is fair and reasonable. This is also in line with awards we have made in similar cases.

Turning to financial losses, I accept that if J made any such losses because of Virgin's errors in switching the account, then it should be liable for them. Mr O has shown us J's accountants' figures for the first five months of 2023 as against the similar period in 2022. This does show a drop in profits. However, it doesn't show that the drop in profits was caused by the errors in carrying out the switching of accounts.

Mr O refers to "*The additional charges the company will lose in charges because of the delays. The ads that were cancelled for shows, the deliveries that were missed. If [the business] were to deliver the food to the wrong door we would have to replace it. The losses were a direct result of being unable to react swift enough.*" But to clarify I can't make any award for speculative losses or what might have happened. I'm generally satisfied that it hasn't been shown that J, as a company, has made any losses directly because of Virgin's errors.

With regard to the complaints about direct debit payments it would appear from a review of the accounts that no payments were missed.

With regard to the payment made to a wrong person, I understand that this person was created on the system in 2019 before the confirmation of payee procedure was introduced. The beneficiary name for this account was changed to Mr O when the new system was introduced. As a result Mr O made a payment of £30 to it. He hasn't made any further payments to it. I can see this was an error on Virgin's part. I've taken this into account as part of the overall service given, but won't make a separate award for it.

So overall, I think that Virgin has paid a fair and reasonable amount of compensation for its admitted serious errors in this case. As I don't think that Mr O has shown that J has made any financial losses as a direct result, I won't require Virgin to take any further action.

My final decision

As I think that Clydesdale Bank PLC trading as Virgin Money has taken appropriate action to deal with J's complaint, I won't require it to take any further action.

Under the rules of the Financial Ombudsman Service, I'm required to ask J to accept or reject my decision before 11 December 2023.

Ray Lawley
Ombudsman