

The complaint

Mr M complains that Clydesdale Bank Plc trading as Virgin Money unfairly decided to default his account.

What happened

Mr M raised a complaint about irresponsible lending which he referred to this service. A final decision was issued dated 23 November 2022 upholding the complaint. Mr M says that part of the resolution was for Virgin Money to agree an affordable repayment plan with him in regard to his outstanding debt. Mr M says this didn't happen and instead Virgin Money decided to default his account. He says he is currently off work due to stress and that as he works in the financial sector a default will impact his employment.

Virgin Money issued a final response to Mr M's complaint in April 2023. It said that it had complied with the decision from the Financial Ombudsman Service issued in November 2023. It said that the direction regarding Mr M's credit file was to remove the adverse information once the balance had been cleared which hadn't happened. It said that it had applied a hold to Mr M's account while his previous complaint was being investigated and this would be removed. It said Mr M was making token payments towards his account and the Financial Conduct Authority guidance was that it should default customers in this situation and report this to the credit reference agencies.

Mr M didn't agree with Virgin Money's response and referred his complaint to this service.

Our investigator didn't uphold this complaint. He said that Virgin Money was required to record accurate information with the credit reference agencies. He said that it had held off any reporting until after the previous final decision had been issued by this service. He noted that a debt charity had put forward a repayment offer but that Virgin Money had advised this wasn't sufficient. He didn't think that Virgin Money had done anything wrong in regard to the actions it had taken.

Mr M didn't agree with our investigator's view. He said that Virgin Money should have accepted his repayment plan and that other businesses had accepted the offers made through the debt charity he was working with and not applied defaults. He reiterated that the lending by Virgin Money was irresponsible and said it wasn't fair his account would be subject to a default.

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 can understand why Mr M is upset that he was told his account could be defaulted even though a decision was issued by this service saying that the lending had been irresponsible. I also understand that this is particularly worrying for him given he works in the financial sector. But for me to uphold this complaint I would need to be satisfied that Virgin Money has done something wrong or treated Mr M unfairly.

As Mr M has already received a final decision regarding his previous complaint, I cannot comment any further on the issues covered by that decision. This decision is about whether Virgin Money did anything wrong by saying that Mr M's account could be defaulted, and this reported to the credit reference agencies and the service Mr M has received while dealing with this issue.

I note Mr M's comment that other businesses have accepted his repayment offers and not defaulted his accounts, but I make my decision based on the specific circumstances of each complaint. This complaint is about the actions taken by Virgin Money and so I have considered the relevant rules and regulations alongside the evidence provided to assess whether Virgin Money has done anything wrong.

I appreciate Mr M's comments about the lending being found to be irresponsible but, as there was still an outstanding balance on his account after the refund of interest and charges, Virgin Money wasn't required to remove any adverse information from Mr M's credit file at that time (the direction from the previous decision was to remove the adverse information once the balance had been cleared). Mr M still had a balance to repay on his account and it is right that this will be reflected on his credit file.

I can see that Virgin Money wrote to Mr M's debt management company on 16 November 2022 to say that based on the submitted income and expenditure information Mr M wasn't able to pay enough to set up a formal arrangement. It said that it wouldn't apply interest and charges due to Mr M's financial difficulties and that Mr M would need to make his minimum contractual payments or arrears would accumulate and the account could be defaulted.

Virgin Money has explained that a hold was placed on Mr M's account while his previous complaint was being investigated but when this was lifted the default procedure continued. It wrote to Mr M in December 2022 and February 2023 to set out the arrears on his account. Given the arrears on Mr M's account and noting the repayments that he is able to make, I do not find I can say that Virgin Money was wrong to take further action and for this to be reported to the credit reference agencies.

Mr M also complained about the service he received in regard to this issue. Virgin Money upheld this part of his complaint and offered Mr M £75 compensation for the delay in responding to his emails and this new complaint being logged. Having considered the issues raised I find this compensation reasonable.

My final decision

My final decision is that 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 16 October 2023.

Jane Archer
Ombudsman