

The complaint

Ms S complains that Clydesdale Bank Plc trading as Virgin Money defaulted her credit card account and sold it to a third party when she'd agreed a repayment plan.

What happened

Ms S held a credit card account with Virgin Money. In May 2023 a permanent block was placed on the card because the account was five months in arrears.

Ms S's representative spoke to Virgin Money on 17 May 2023 and agreed a repayment plan for 6 months to clear the arrears. It was agreed that Ms S would pay £189.77 starting on 14 June 2023. Virgin Money offered to set up a direct debit but Ms S's representative said that payments would be set up manually.

No payments were made by Ms S in June or July 2023.

On 24 June 2023 Virgin Money issued a default notice. This required Ms S to pay the arrears of £606.89 by 22 July 2023. No payment was received from Ms S and on 24 July 2023 the account was defaulted.

On 2 August 2023 Ms S contacted Virgin Money and said she wanted to set up a direct debit for £107 per month. Ms S was advised that she should make a manual payment that month and set the direct debit to start in September. Ms S attempted to make a payment by debit card during the call, but the payment was declined.

On 7 August 2023 the account was sold to a third party.

Ms S complained to Virgin Money. She was unhappy that Virgin Money had agreed a payment plan and had then sold the account. She said the adverse information reported on her credit file had caused her stress and anxiety. Ms S said she wanted the account reinstated and for payments to resume. She also wanted her credit file amended and compensation.

In its final response, Virgin Money said that the account had been sold because it had been defaulted. It said that no payments had been received to the account since 30 April 2023. Virgin Money acknowledged that a direct debit agreement was set up by Ms S on 2 August 2023 to commence from mid-September 2023 but said the account had been sold prior to this. Virgin Money said it appreciated that Ms S had been impacted by call queues and that she hadn't been issued with any correspondence at the time of the payment agreement in May 2023. It offered compensation of £50 for any distress and inconvenience caused.

Ms S remained unhappy and brought her complaint to this service.

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.

The terms and conditions of the account say that Virgin Money can transfer its rights under the agreement to another person or entity at any time. Ms S accepted these terms and conditions when she took out the card.

Because the terms and conditions allow Virgin Money to sell the account, I'm unable to say that there has been an error, or that Virgin Money has done anything wrong by assigning the debt to a debt purchaser.

Ms S's point is that she'd entered into a payment plan for the arrears which was disregarded by Virgin Money when it sold the account. She says the sale of the debt and the impact on her credit rating has restricted her access to other financial products.

I've reviewed the account and I can see that Ms S set up a payment plan in May 2023. The terms of the agreement were that Ms S would pay £189.77 per month starting on 14 June 2023. Ms S didn't make any payments under the payment plan and it was therefore broken.

Due to the level of arrears, Virgin Money defaulted the account in July 2023. The relevant guidelines say that lenders can default an account if there are between three and six months of arrears. Ms S's account met that criteria so I'm unable to say that Virgin Money has made an error here.

I think Virgin Money tried to assist Ms S by setting up the payment plan in May 2023 but in the circumstances where Ms S didn't make any payments under the plan, I don't think it was unreasonable for Virgin Money to default the account.

Lenders are under an obligation to report accurate information to the credit reference agencies. The default has been reported and will understandably be having an adverse impact on Ms S's ability to obtain further credit. The default is an accurate reflection of the state of Ms S's account and I'm unable to say that Virgin Money has done anything wrong by reporting it to the credit reference agencies.

I appreciate that Ms S contacted Virgin Money after the account had been defaulted and asked to set up a further payment plan. Virgin Money has said that the first direct debit wasn't due to be taken until mid September 2023. I can see that Ms S attempted to make a manual payment in August 2023 but this was declined.

Taking everything into consideration, and whilst I understand that this isn't the outcome that Ms S was hoping for, I'm unable to uphold the complaint. Ms S broke the first payment plan and the account was defaulted in line with relevant guidelines. The default has been correctly reported to the credit reference agencies. Virgin Money can sell the debt at any time and I'm unable to say that it has made an error or that it has treated Ms S unfairly.

My final decision

My final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask X to accept or reject my decision before 5 June 2024.

Emma Davy
Ombudsman