

The complaint

Miss L complains that Clydesdale Bank Plc trading as Virgin Money* unfairly registered a default on her credit file.

**To keep things simpler, in my decision I'll refer to the business as 'Virgin Money'.*

What happened

Virgin Money sent Miss L letters dated:

- 11 August 2020 - warning her that it didn't offer an arranged overdraft on her account and she needed always to keep the account balance in credit and saying *'Please pay £23.62 into your account immediately to bring it back into credit, and make sure you deposit money into your account before making withdrawals in the future.'*
- 24 August 2020 – this letter was clearly headed in bold type **'Your current account balance is still below £0'**. Virgin Money reminded Miss L of the risk of a default being registered if she didn't pay in £23.62 to bring her account back into credit.
- 4 September 2020 (Default Notice) - Virgin Money told Miss L **'This is your final opportunity to bring the account back into credit, to avoid us instructing a Debt Collecting Agency.'** The letter included information about the various ways Miss L could pay money into her account, offered her the option of paying in instalments and provided contact information.
- 11 November 2020 – Virgin Money sent a letter to Miss L telling her that as she hadn't complied with the Default Notice sent on 4 September 2020, she could no longer use her account. It told her an application had been made to register a default on her credit file detailing the amount owing. Virgin Money included information about how Miss L could obtain a copy of her credit file.

When Miss L downloaded a copy of her credit file some three years later, she discovered a default had been registered on her Virgin Money account. She complained to Virgin Money saying she hadn't been made aware of the default and asked for it to be removed and her credit file corrected.

Virgin Money didn't uphold her complaint. It mainly said:

- its records showed that Miss L was contacted by letter and phone at the time
- she had been made aware there were several returned direct debit payments around August 2020 and that she had gone overdrawn on her account
- there were unsuccessful attempts to try and speak to her on the phone to discuss her financial situation
- Virgin Money sent Miss L a default notice in September 2020
- a default was applied to her account in November 2020 after Miss L failed to comply with the default notice.

Miss L didn't feel this resolved her complaint and so she brought her complaint to us and one of our investigators looked into what happened.

Our investigator didn't feel he'd seen enough to uphold Miss L's complaint. In summary, the investigator thought Virgin Money had taken reasonable steps to contact Miss L when her account went into arrears and given due notice about the default. He said Virgin Money had sent four different letters to Miss L at the correct address, and Virgin Money couldn't be held responsible for the actions of the postal service.

Miss L disagreed, saying that the investigator hadn't fully considered all the aspects of her complaint and drawing attention to the following particular issues of concern:

- a mismatch between the date of the default and when Virgin Money said the default initially happened
- Virgin Money's failure to provide her with any evidence of letters sent or an explanation of what the default was for
- she was told documents did not exist and that Virgin Money was relying on system notes and she's unhappy with the way Virgin Money handled her complaint, causing unnecessary stress and upset
- she was still waiting for postal letters from Virgin Money regarding her complaint and she hadn't received any other letters claimed to have been sent, leading her to conclude that there is something wrong with Virgin Money's internal system.

The complaint has come to me for a final decision.

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've carried out an independent review and having done so, I've reached the same conclusion as our investigator. I think Virgin Money acted correctly when it applied to register a default and treated Miss L fairly and reasonably throughout. I'll explain my approach and how I've reached my decision.

It's part of my role to identify and concentrate on the core issues I need to address in order to reach a fair outcome. This means I won't necessarily mention everything that Miss L has brought to my attention, especially where there's nothing I can usefully add to what the investigator has said already. And I've expressed some of Miss L's concerns in my own words. But I will comment on everything that makes a difference to the outcome of the complaint.

I've seen Miss L's bank statement from the time showing that her account went into overdraft at the start of August 2020 when she used her debit card for a 'pay at pump' transaction.

And looking at Virgin Money's system notes from the time, it does look like there was a phone conversation with Miss L on 24 August 2020 about this – by which time, Miss L had already had several returned direct debits.

Virgin Money was sending Miss L regular account statements at the time and so Miss L would have been able to see this information.

Virgin Money has shown that it did produce account statements and evidence from its records indicates that it posted the above letters to Miss L. The address it holds on record for Miss L is her correct address. So I find that Virgin Money has done what Miss L was reasonably entitled to expect it to do. I can't fairly hold Virgin Money responsible for any possible problems with postal deliveries.

Virgin Money's records indicate that there were also a number of attempted calls with Miss L about her overdrawn account balance. On 24 August 2020, Virgin Money spoke with Miss L and recorded a note saying Miss L had decided not to use her Virgin Money account any longer and that she would clear the balance owing that day. A call attempt on 30 September 2020 was unsuccessful. And although Virgin Money managed to speak to Miss L on 21 October 2020, she wasn't able to talk at the time. Virgin Money said it called back later as agreed but Miss L *'hung up'*. This happened again on 11 November 2020 when Virgin Money tried to speak to Miss L. This prompted Virgin Money to write to Miss L that same day, telling her it would register the default.

The onus was on Miss L to put things right by repaying the overdrawn balance as soon as possible. I've no reason to think that Miss L isn't certain about what she's told us, but I think it's possible she has overlooked details from almost four years ago. That would be unsurprising, given the passage of time. So what she says about this isn't enough for me to uphold her complaint.

On balance, I am satisfied that Virgin Money took reasonable steps to explore alternative solutions with Miss L when her account went into unauthorised overdraft. It gave her due notice before applying the default and treated her fairly and reasonably throughout. This was an account that had to be maintained in credit – it offered no overdraft facility. Virgin Money had declined a number of direct debit payments so as to keep the account in credit. The payment that ultimately took Miss L's account into unauthorised overdraft was a debit card transaction that Miss L authorised. So I can't fairly hold Virgin Money responsible for the account going into overdraft on that occasion.

We usually expect defaults to be registered when there are between three to six months of missed payments. It's important that credit files accurately reflect account history. As Miss L hadn't made any payments into her account for several months I think the default was fair and I can't reasonably ask Virgin Money to remove it as Miss L would like.

Miss L is concerned that the date of the default does not match when Virgin Money said the default initially happened. It's possible that simply reflects the date the default was registered by the credit reference agency. If she has any further query about this, she could take this up with the credit reference agency.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss L to accept or reject my decision before 29 May 2024.

Susan Webb
Ombudsman