



## **The complaint**

Miss R complains that Virgin Money plc sent her a persistent debt letter, refused to waive or reduce the interest rate on her credit card, and took nine weeks to deal with her complaint.

## **What happened**

Miss R has a Virgin Money credit card. In April 2019, she received a letter from Virgin Money saying that she was in “persistent debt,” because over the last 18 months she had paid more in interest and fees than she had paid towards reducing the balance she owed. The letter went on to say that if this was still the case in another 18 months, then Virgin Money might suspend or cancel her card, which might affect her credit rating. It recommended that she pay more than her minimum payments each month.

Miss R asked Virgin Money to meet her half way and to suspend her interest for a while, and then to reduce her interest rate, so that she would no longer be in persistent debt. Virgin Money refused, because she was not in arrears and she was not struggling to make her minimum payments. So she complained about that refusal, and about the threat to affect her credit file. She later complained that it took Virgin Money nine weeks to send her its final response to her complaint, instead of eight weeks. Virgin Money apologised for that last point and paid her £50 compensation. Being dissatisfied with that outcome, Miss R brought this complaint to our Service.

Our investigator did not uphold this complaint. He said Virgin Money had been obliged by regulations to send the persistent debt letter. He said Virgin Money had offered to assess Miss R's income and expenditure with a view to helping her, but if it did reduce or suspend interest then it would have to reflect this on her credit file (which Miss R is adamant she does not want). He thought he had no jurisdiction to consider her complaint about how long Virgin Money took to send her its final response.

Miss R did not accept that decision, and she asked for an ombudsman to review her case. She said that she had not been in arrears or made any late payments, so it would not be fair if her credit file was adversely affected by information about her interest rate being reduced (if Virgin Money agreed to do that), as it could not be relevant to another lender's decision to lend to her. She also maintained that the persistent debt letter was threatening.

## **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 persistent debt letter read as follows:

At Virgin Money we are always working to look after our customers.

We've noticed over the last 18 months that you've paid more in interest, fees and charges on your Virgin Money Credit Card than you've paid off the balance you owe.

This means your account is classed as being in 'persistent debt' and it is taking you longer to pay off your balance and costing you more in interest.

Making the minimum payment each month, or just above, is the most expensive way to repay what you owe.

### **Review your monthly payment**

Paying more than your monthly minimum payment will help you to reduce the amount of interest you pay and the time it takes to clear your balance. You can do this by:

- Increasing your existing Direct Debit payment in Online Service.
- Setting up a Direct Debit if you don't pay that way already.
- Or if you prefer, you can pay an increased amount each month using your normal payment method.

You'll find more information on what it means when your account is in persistent debt, and helpful tools that will show you the benefit of increasing your monthly payments at [myvirginmoney.com/persistentdebt](https://myvirginmoney.com/persistentdebt)

Remember, the more you pay each month, the less you pay in interest.

### **Need help?**

As a responsible lender, we want to look after you and make sure you have the opportunity to tell us if you need any help. So if your account is in arrears or over its credit limit, you're having trouble making your minimum payment or you can't afford to increase the amount you pay each month, please get in touch with us. We will be happy to talk you through your options.

You can also get advice from a number of charities or not-for-profit organisations (like the ones listed below).

After listing some debt charities and their contact details, the letter continued:

### **If you don't increase your monthly payment**

In 18 months' time, we'll look at your account again. If you've continued to pay more in interest, fees and charges than you've repaid towards the amount you borrowed from us, it will mean your account is still in persistent debt. We'll need to get back in touch with you and take further steps, such as:

- increasing your minimum payment;
- suspending or cancelling your card, which may affect your credit rating and influence your ability to get credit elsewhere.

### **Any questions?**

If you need to talk to us about your monthly payment, or have any questions, just call us on **0800 678 1636**. We're here 9am to 5.30pm, Monday to Friday.

Yours sincerely

**The Virgin Money Credit Card Team**

I don't think the overall tone or content of that letter is threatening, taken as a whole. The only part of the letter which could be interpreted that way is the second bullet point, which warns that the card might be suspended or cancelled and that this may affect Miss R's credit rating. But Virgin Money had no choice but to say that, because regulations made by the Financial Conduct Authority require words to that effect to be included in the letter. Our investigator has already told Miss R that rule CONC 6.7.27 required the letter to be sent. To that, I would add that CONC 6.7.28(2) says:

The potential implications of which the firm should warn the customer under CONC 6.7.27... include the possibility that the account may be suspended, as well as any other steps that the firm might take, and the possible impact on the customer's credit file.

I think that Virgin Money broke that news as gently as it could (although I have noted that its complaint handler conceded that it could have been worded even better and said she would provide feedback about that to her colleagues). So I do not uphold that part of this complaint.

I don't agree that the delay in Virgin Money dealing with Miss R's complaint is a matter outside the jurisdiction of the Financial Ombudsman Service. Our Service has power to deal with complaints about matters "ancillary to" regulated activities, as well as about the regulated activities themselves, and so I think that how a firm handles a complaint about a regulated activity is ancillary to that activity. But I think that £50 is fair compensation for taking nine weeks to issue a final response, when Virgin Money was allowed eight weeks under the rules.

Virgin Money has a duty to treat a customer who is in financial difficulties sympathetically and positively. But Miss R denied that she is in financial difficulty, and pointed out to Virgin Money that she was not in arrears, was not over her credit limit, and had never made a late payment. Indeed, part of her complaint is that she received a letter which insinuated that she was struggling when she wasn't. So I don't think that Virgin Money was obliged to accede to her request to suspend or reduce interest on her account. It had not reason to think that she could not afford to increase her monthly payments.

### **My final decision**

So my decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss R to accept or reject my decision before 29 July 2020.

Richard Wood  
**Ombudsman**