

The complaint

Mr K complains Clydesdale Bank Plc (trading as “Virgin Money”) treated him unfairly when it said it wouldn’t issue him a new credit card when his old one expired and in effect stopped him using it. He complains Clydesdale Bank Plc should have given him time to pay off his credit card, following the process it subsequently did when it wrote to him saying he was in persistent debt.

What happened

Mr K had a credit card issued by Virgin Money – it was one of a number of credit cards he has.

In April 2018 Virgin Money wrote to Mr K to say that it wouldn’t be issuing a replacement card when his existing one expired in July 2018. Mr K appealed this decision, but his appeal was declined. Mr K was, as a result, unable to make new transactions after July 2018 amongst other things. His card was effectively suspended.

Mr K wrote to Virgin Money to say that as they’d suspended his card, he’d no longer treat the outstanding balance as a priority debt. In other words, he’d no longer make lump sum payments to clear in whole or in part the outstanding balance. He also said that this would mean he wouldn’t be able to transfer balances between his existing cards to take advantage of 0% balance transfers – something he’d done over the years meaning, in effect, he’d been able to use his credit cards as a source of cheap finance to help with business projects.

In November 2019 Virgin Money wrote to Mr K to say that he was in persistent debt. Mr K thought this letter, and subsequent ones he was sent about persistent debt, amounted to harassment. Equally he thought Virgin Money should have given him 18 months to deal with his credit card balance when it wrote to him in April 2018 rather than out of the blue refusing to issue him a replacement card – in line with the process set out in its persistent debt letter – and then review how he’d done 18 months later with a view to giving him a further 18 months. Mr K was unhappy about all of this, and the fact that, for example, Virgin Money’s letters seemed to ignore the fact that his card had already been suspended because they told him, amongst other things, that he would still be able to use his card if he increased his payments. So, he complained to Virgin Money.

Virgin Money investigated Mr K’s complaint and said it had concluded that it wouldn’t have been responsible to issue Mr K a new credit card given the checks it had done. Virgin Money accepted that when it wrote to Mr K about being in persistent debt it did make some mistakes regarding what it said. For example, saying that he’d be able to use his account when it had in fact already been suspended. Virgin Money offered Mr K £75 compensation and sent him a cheque. Mr K was unhappy and complained to us – he rejected the cheque.

One of our investigators looked into Mr K’s complaint and said that they didn’t think Virgin Money had acted unfairly. In particular, our investigator said that Virgin Money carried out checks to see whether it would be responsible to renew Mr K’s credit card and concluded it wouldn’t be. Our investigator said that Virgin Money subsequently wrote to Mr K in November 2019 to say that he was in persistent debt and followed the process the FCA

expects.

Mr K disagreed with our investigator's view, saying that Virgin Money shouldn't have suspended his credit card out of the blue and should have followed the same process it did when it wrote to him to say he was in persistent debt. Mr K also said our investigator shouldn't be spending time looking at what happened after Virgin Money suspended his card as that was down to him protesting its decision. He asked for an ombudsman to look at his complaint. So, that's what I've done.

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.

Mr K has explained in some detail how he has used credit cards, and the ability to make balance transfers along with his ability to pay himself a dividend, amongst other things, to access in effect cheap finance in order to support projects he's involved in as part of his business. I can see exactly what he's saying, and how it's worked for him. I can also see how Virgin Money's decision caused complications to the way Mr K wanted to manage his finances, and that he put proposals to Virgin Money, not least asking them not to suspend his credit card given the consequences that might have on him. I can see he has strong views about how Virgin Money should have approached the issue of his credit card when in April 2018 it wrote to him to say that it wasn't going to renew his card. I do, however, have to decide whether or not what happened was fair and reasonable in all the circumstances, and not whether I would have made a different decision to the one Virgin Money made. So, I've looked at what Virgin Money took into account when it decided not to renew Mr K's credit card April 2018 which was due to expire in July 2018.

I can see that Virgin Money reviewed Mr K's account shortly before his card was going to expire. I can see that Virgin Money concluded – based on the information available to it – that Mr K had arrears on some of his lending, and that he was using the majority of his credit limits. I know that Mr K says this is always the way he's managed his finances. But I don't think I can say it was unfair or unreasonable of Virgin Money to conclude based on the information that it had that it would be irresponsible of it to issue Mr K with a new card and that it shouldn't allow him to incur any further debt. In other words, I don't think it was unfair or unreasonable of Virgin Bank not to renew Mr K's credit card.

I can see that Mr K wanted to be able to continue to make balance transfers and to use his credit card – and that he put proposals to Virgin Money that would mean he'd be able to reduce his balance more quickly. I can understand why Mr K was unhappy when Virgin Money didn't take him up on these proposals. I can also understand why Mr K would have wanted a longer period of time to deal with the balance – in the same way someone who is in persistent debt would be given time. But I don't agree that Virgin Money had to offer Mr K the types of solutions he wanted. Virgin Money was concerned about lending to Mr K further, and that concern wasn't unfair or unreasonable, so I can't say Virgin Money did anything wrong making sure Mr K didn't take on more debt in this particular case.

I can see why Mr K didn't think our investigator should be spending time looking at what happened after Virgin Money suspended his card as that was down to him protesting its decision. I can also see why he says once Virgin Money suspended his card the most it could expect was for him to pay his minimum payment. He's made a point that if it takes him over 30 years to pay off his Virgin Money credit card, that's his business. I can see what he's saying, but the FCA doesn't see it that way. The FCA has made it clear that businesses should contact customers who are over time paying more towards interest and charges than their underlying debt to make them aware of this and see what steps they can take to get out

of persistent debt. So, I don't think Virgin Money did anything wrong writing to Mr K to say that he was in persistent debt because looking at his account that's what's happening. I can appreciate that it must have been frustrating to Mr K to see that Virgin Money when it wrote those letters didn't seem to appreciate that it had already suspended his card. And that it offered to give him the type of time to remedy the problem he would have wanted when it decided not to issue him a new card. But I can't say Virgin Money did anything wrong as it was simply doing what it's obliged to do when it identifies a customer in persistent debt.

For all the reasons just given, I agree with our investigator that this isn't a complaint we should be upholding. So, I'm not going to require Virgin Money to do more than it already has done. I appreciate that this will be a disappointment to Mr K, who has clearly been impacted by Virgin Money's decision and an issue he's had with another bank.

My final decision

My final decision is that I'm not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 16 March 2022.

Nicolas Atkinson
Ombudsman