

The complaint

Mrs H complains that Clydesdale Bank Plc trading as Virgin Money didn't treat her fairly when she experienced financial difficulties.

What happened

The details of this complaint are well known to both parties, so I won't repeat them again here. Instead, I'll focus on giving my reasons for my 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.

Having done so, I've reached the same overall conclusions as the investigator. I know Mrs H will be disappointed, so I'll explain why.

Mrs H had a credit card account with Virgin Money to which she was contractually required to pay the minimum monthly payment each month. Due to the Covid-19 pandemic, Mrs H's financial circumstances were impacted, and she was unable to obtain any financial support from the government. This meant she couldn't keep up with her minimum monthly contractual payments to her credit card account.

In these circumstances, a lender has an obligation to treat a consumer positively and sympathetically. And from what I've seen Virgin Money agreed to accept reduced payments (a payment plan) of £10 per month. Based on the information I've seen, the payment plan was initially put in place for three months and was later extended to allow Mrs H time to get her finances back on track. In doing so, I'm satisfied that Virgin Money treated Mrs H positively and sympathetically here.

Mrs H says that Virgin Money bombarded her with letters and demanded that she cleared the account in full which she couldn't do. Mrs H has said the letters made her feel intimidated and harassed. I think it would be helpful to explain that all lenders have a regulatory obligation to send letters like the ones Mrs H has mentioned – even when a payment plan is in place. This is to ensure the account holder is kept up to date with the status of their account, what is needed to bring the account up to date, and the consequences of not doing so if their financial difficulties persist. Having looked at the content of some of the letters Virgin Money sent Mrs H, I consider these to be standard letters I would expect to be sent in Mrs H's circumstances.

I appreciate Mrs H has told us that some of the correspondence she received said she didn't need to make any payment, but she continued to pay £10 per month. But from what I've seen the £10 per month she was paying was still below the amount that she was contractually required to make. This was explained in the letter sent by Virgin Money in January 2021 – for example, in December 2020 the minimum payment due was £14.44.

I understand Mrs H received these letters during what was a difficult time for her and that she wasn't in a financial position to do more than she already was. And I'm sorry to hear how

receiving the letters made Mrs H feel. But I'm satisfied Virgin Money didn't do anything wrong when it sent the letters it did.

When a lender agrees a reduced payment plan, such support isn't meant to last indefinitely – particularly, when the financial difficulties appear more long term. In these circumstances, other action may be more appropriate. Virgin Money has provided records of Mrs H's account. I'm satisfied the records are contemporaneous customer notes recorded on Mrs H's account, so I'm satisfied the notes fairly represent what happened at the time.

As mentioned above, the records show that Virgin Money initially extended Mrs H's payment plan to give her time to get her finances back on track. But in August 2021 - after Mrs H had been on a repayment plan for some time. I've seen that Virgin Money had a conversation with Mrs H in which she indicated her circumstances hadn't improved. So, I'm satisfied Mrs H financial difficulties weren't short-term – after a period of time on a payment plan, she wasn't able to return to her contractual payments. I've seen that Virgin Money gave Mrs H a further 30 days breathing space to complete an income and expenditure (I&E) breakdown. I find this was a fair approach. By completing an I&E Virgin Money would be able to assess what – if anything, Mrs H could afford to pay and decide the next steps.

I can see that Mrs H made an offer to increase her monthly payment but, unfortunately, this wasn't enough to meet her monthly contractual payment and by this point Mrs H had been making reduced payments for some time so Virgin Money decided it was unable to agree to a further repayment plan.

I should explain that guidance set out by the Information Commissioners Office (ICO) says that a lender can default an account when it has been in arrears between three to six months. So, as Mrs H was unable to return to her contractual payments and her account had been in arrears for more than three months, I don't think Virgin Money did anything wrong when it defaulted her account. And the terms of her account – which she agreed to when she opened the account, allow Virgin Money to sell her account to a third-party debt collection firm in these circumstances. So, I don't find that Virgin Money did anything wrong when it sold her account.

I do understand that Mrs H may feel that Virgin Money has punished her – particularly as her financial situation was impacted by events out of her control. But by defaulting the account no further interest or charges are applied to the account, meaning Mrs H will be able to pay off her debt faster. And a debt collection agency can generally accept lower payments – more in keeping with what Mrs H can afford. So, I find that Virgin Money acted fairly here.

I acknowledge that this has all had a negative impact on Mrs H's credit file. But lenders are required to report accurate information on how an account has been managed to the credit reference agencies (CRA). And I haven't seen anything which would make me think that Virgin Money has reported inaccurate information to the CRA.

Mrs H found herself in financial difficulty due to an unprecedented event. And I'm genuinely sorry to hear what has happened. But I can only uphold this complaint if I concluded Virgin Money has done something wrong or treated Mrs H unfairly, and I've not found that it did. So, I won't be asking Virgin Money to take any further action in respect of this complaint.

My final decision

For the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 28 December 2022.

Sandra Greene
Ombudsman