

## **The complaint**

Mr W is unhappy with several aspects of the service he received from Clydesdale Bank Plc, trading as Virgin Money, surrounding a direct debit that was attempted to be taken from his account.

## **What happened**

In December 2021, Mr W was notified by his Virgin Money app that £479.99 would be taken by direct debit at the end of that month as the monthly payment towards his account. However, Mr W's current account provider notified him at the end of that month that Virgin Money had in fact applied for £2,110.89 by direct debit, which would leave Mr W considerably overdrawn and therefore incurring fees on his current account.

Mr W contacted Virgin Money about this, and after a lengthy telephone call was told to raise an immediate indemnity claim with his current account provider who could prevent the direct debit payment from being completed. Mr W did this, but then discovered shortly afterwards that his Virgin Money account had been frozen, meaning that new and scheduled payments couldn't come out of that account.

Mr W wasn't happy about this, so he contacted Virgin Money to make a complaint. Virgin Money explained that the team that Mr W needed to speak with to unblock the account wouldn't be at work for a few days, and that nothing could be done before that time. Mr W's account was unblocked by Virgin Money when the relevant team returned to work, but Mr W wasn't happy about how Virgin Money handled his complaint, including that they sent a response letter to an incorrect address. So, he referred his complaint to this service.

One of our investigators looked at this complaint. During their investigation, Virgin Money accepted that the service that Mr W had received in regard to the length of telephone calls he'd been on and the posting of the letter to the incorrect address wasn't to the standard that they aspire to, and Virgin Money offered a payment of £75 to Mr W as compensation for this.

However, Virgin Money felt that the account statement issued to Mr W had explained that the direct debit would still be taken even if Mr W made additional payments to the account, and so they confirmed to this service that they didn't feel that this aspect of Mr W's complaint should be upheld.

Our investigator considered Virgin Money's position and felt it provided a fair and reasonable response to Mr W's complaint. But Mr W didn't agree with the view of this complaint put forwards by our investigator, and so the matter was escalated to an ombudsman 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 issued a provisional decision on this complaint on 5 September 2022 as follows:

*It's easy to understand how Mr W would be frustrated here. This is because in circumstances where customers are making substantial monthly repayments – as Mr W's direct debit was set up to do – and where that customer makes additional payments, it seems apparent that there's a disconnect between what Virgin Money's app states will be the direct debit amount applied for, and what the actual direct debit amount applied for is.*

*In this instance, the monthly account statement for December 2021 advised that a direct debit payment of £2,648.45 would be applied for at the end of that month. And the monthly statement also explained that Virgin Money would still attempt to apply for the direct debit even if Mr W made additional payments to the account.*

*Mr W then made several additional payments, one of which brought the balance of the account down to £2,110.89. And while the account was at this balance, Virgin Money began the process of applying for the monthly direct debit with Mr W's current account holder. This process can take several working days, and once the process has begun, the amount that will be requested – in this case £2,110.89 – is locked in.*

*It's notable that the amount Virgin Money applied for here - £2,110.89 – isn't the £2,648.45 as advised on the monthly account statement. Virgin Money have explained that if customer payments reduce the balance outstanding on an account below the direct debit amount given on a monthly statement, they will only apply for the lower full balance of the account, rather than the previously declared higher amount. This seems reasonable to me, and it's for this reason that Virgin Money applied for a direct debit payment of £2,111.89.*

*But in the period after Virgin Money began the process of applying for the £2,111.89 payment, but before the direct debit was scheduled to be paid, Mr W continued to make additional payments. And these payments reduced the balance of his account considerably.*

*Importantly, the Virgin Money app, which Mr W used to monitor the ongoing status of his account, appeared to show that Virgin Money were taking account of these further payments. And Mr W has provided a screenshot of his Virgin Money app that states that Virgin Money would be applying for a payment of only £479.99 by direct debit at the end of December 2021.*

*It therefore seems apparent that Virgin Money's app lacked the functionality to be able to recognise when Virgin Money had begun the direct debit process such that the amount applied for at that time was locked in.*

*And given that Virgin Money's app was explicitly informing Mr W that a considerably lower direct debit amount would be taken than was actually the case, in line with the additional payments that Mr W had made and with no apparent disclaimers that the amount displayed might be inaccurate, I'm satisfied that it was reasonable for Mr W to have expected Virgin Money to have applied for a direct debit payment at that lower amount of £479.99 at the end of December 2021, and to have financially provisioned accordingly.*

*I can therefore understand how Mr W would have been upset to discover that Virgin Money had applied for £2,111.89 by direct debit, the fulfilment of which would leave his current account significantly overdrawn such that he would be incurring fees, while simultaneously putting his Virgin Money credit account into a position of significant positive credit.*

*I can also appreciate how Mr W's frustration may have been exacerbated when, after contacting Virgin Money immediately upon on learning of the £2,111.89 direct debit payment, he had a telephone call lasting approximately 90 minutes which resulted in him being asked to raise an immediate indemnity claim with his bank to prevent the direct debit payment from completing – information which I feel should have been given to Mr W far quicker than was actually the case.*

*Finally, having made the indemnity claim with his bank, Mr W then discovered that the act of making that claim had triggered Virgin Money's fraud security concerns such that his account was now frozen. This occurred at the end of December, and so the length of time that the account was frozen – which was dependent on the relevant Virgin Money team being present at work – was affected by the New Year bank holiday. And Mr W also found that Virgin Money had charged a £12 fee to his account because of what had happened.*

*There's an unfortunate cascade effect to these events. Mr W's account wouldn't have been frozen if he hadn't raised the indemnity claim, and he wouldn't have raised the indemnity claim if Virgin Money hadn't applied for a much larger direct debit amount than he was expecting. Additionally, when Mr W raised a complaint with Virgin Money about what had happened, Virgin Money initially logged an incorrect postcode and sent a response letter to an incorrect address.*

*But I feel that none of this would have happened had Virgin Money's app provided the correct information to Mr W about the amount of the direct debit payment that would be applied for at the end of December 2021, rather than providing Mr W with a factually incorrect amount. And while Virgin Money might contend that their monthly statement explained that they would still apply for the direct debit if Mr W made additional payments, the amount that they did apply for wasn't the same as declared on the relevant monthly statement, and I don't feel that it was unreasonable for Mr W to have trusted what the Virgin Money app was telling him would be the direct debit amount applied for.*

*I'm therefore satisfied that Virgin Money should compensate Mr W for the trouble and upset that he's incurred here, which I feel is significant, and which includes Mr W having to take considerable time to try to resolve the matters surrounding the attempted direct debit and the subsequent freezing of his Virgin Money account during a time when his work in the emergency services sector already placed him under considerable stress.*

*Ultimately, while I acknowledge that Virgin Money did reimburse the £12 fee to Mr W's account, I feel that the £75 compensation amount that Virgin Money have offered to Mr W doesn't provide fair compensation for the impact that Virgin Money's actions have had here.*

*As such, my provisional decision is that I'll be upholding this complaint in Mr W's favour and instructing Virgin Money to make a payment of £450 to Mr W, which I feel more reasonably compensates him for the trouble and distress these matters have caused.*

*In arriving at this position I've considered all that I've described above alongside the general framework by which this service awards compensation, details of which can be found on this service's website. I must note that this service doesn't take a person's earned hourly or daily rate into consideration. This service doesn't consider any one person's time to be any more or less valuable than any other person's time.*

*Finally, I note that Mr W isn't happy with some aspects surrounding how Virgin Money have handled his complaint about the matters described above. I can appreciate Mr W's frustration in this regard. However, as the Financial Ombudsman Service, the remit of what this service can consider is limited to regulated financial matters. And a complaint about how a company had handled a complaint – even a complaint about a regulated financial matter – isn't a complaint about a regulated financial matter. Rather, it's a complaint about how a business has handled a complaint, and therefore isn't within the remit of what this service can consider.*

Both Mr W and Virgin Money have confirmed that they're happy to accept my provisional decision as outlined above. As such, I see no reason not to uphold this complaint in Mr W's favour on the basis outlined above, and I can confirm that my final decision is that I do uphold this complaint on that basis accordingly.

In his response to this service, Mr W also explained that Virgin Money haven't yet reimbursed the £12 fee to him as I believed was the case. However, Mr W also stated that it's his understanding that Virgin Money will be reimbursing that fee to him, but that the action to do so is paused pending the resolution of his complaint with this service. As such, I leave the matter of the reimbursement of the £12 fee to Virgin Money to complete in good faith, and I don't feel the need to delay issuing this final decision until that point is resolved.

### **Putting things right**

Virgin Money must make a payment of £450 to Mr W

### **My final decision**

My final decision is that I uphold this complaint against Clydesdale Bank Plc, trading as Virgin Money, on the basis explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 21 October 2022.

Paul Cooper  
**Ombudsman**