

The complaint

Mr S complains that Clydesdale Bank Plc (Virgin) didn't respond to his complaint and defaulted his account.

What happened

Mr S had a credit card from Virgin. In April 2020, Virgin agreed to a three-month payment holiday under the FCA's covid support scheme. Mr S was then made redundant and had little income. In December 2020, Virgin agreed to a six-month payment plan – with no payments required, and zero interest. In June 2021, a further payment plan was agreed on the same terms. In September 2021, Virgin placed a 30 day hold on the account while waiting for Mr S' income and expenditure form. A form was sent in on 1 October 2021, and this showed that income was less than expenditure. On 24 November 2021, Virgin received another income and expenditure form – and this showed monthly income of £2,025 and outgoings of £1,087. Payments to lenders were £227 (excluding Virgin). Virgin sent Mr S a Notice of Default on 9 November 2021 – with arrears of £1,340.08 to be paid by 7 December 2021. On 8 December 2021, Virgin defaulted Mr S' account. The balance was £11,027.68 and the card had been cancelled. Virgin haven't yet sold the debt to debt collectors pending the outcome of Mr S' complaint.

Mr S complained. He said he had sent in two income & expenditure forms and heard nothing back from Virgin. He logged a complaint but didn't get a final response – only a holding letter on 5 January 2022. He said Virgin hadn't acted fairly and shouldn't have defaulted his account. He said he had returned to work and could afford to make the minimum repayments.

Virgin didn't send a final response. They told us that because the eight-week timeline for sending a final response had been exceeded, they didn't complete their investigation.

Mr S brought his complaint to us. Our investigator said Virgin acted reasonably. He accepted what Virgin had told us – that by June 2021, Mr S was six months in arrears and so Virgin were then entitled to default the account. And Virgin said they backdated the default to then.

Virgin had said that they had processed Mr S' income and expenditure form inefficiently when it was sent in on 1 October 2021 and offered to pay compensation to him of £200 for that. He said that Virgin had been supportive in giving Mr S a six-month interest-free payment plan.

Mr S didn't accept this and asked that an ombudsman look at his complaint.

I reached a provisional decision where I said:

I don't agree with our investigator, in particular – he didn't look at the issue of the income and expenditure form sent in on 24 November 2021.

Mr S told us he was made redundant in November 2020 – and after that, had no income for a period. Virgin gave him a payment holiday under the FCA's pandemic support

scheme in April 2020 for three months. I firstly considered whether Mr S should've been given this support after that – instead of the payment plans that Virgin gave him later.

In April 2020, The Financial Conduct Authority (FCA) announced guidance to lenders in response to the effects on customers of the COVID-19 pandemic. All lenders, including Virgin, had to put in place 'payment holidays' on many credit agreements, including credit cards – to help customers who were affected. Customers could ask for a total of two payment holidays each of three months – whereby payments could be suspended. Missed payments would not be reported to credit reference agencies, although interest would still be debited to the accounts. This support was provided by firms up to the end of October 2020.

The intention was to provide short term support – usually in cases where customers would be returning to work within a short period of time. And so – where a customer's situation was that they were in longer term difficulty, then payment holidays under this scheme weren't normally agreed. And so – because Mr S was made redundant, with little immediate prospect of returning to work, he didn't qualify for the scheme. So – I think that was reasonable.

Virgin then gave Mr S two payment plans – the first ran for six months from December 2020; and then another for three months from June 2021. No payments were needed and no interest was charged. Virgin have argued that because by June 2021, Mr S' account was six months in arrears – they were then entitled to default his account at that time and should've done so. The guidance for dealing with defaults is laid down by the Information Commissioner's Office (ICO). This says when a consumer is at least three months behind with their payments then a default may be registered. And it would expect a default to be registered by the time the consumer is six months behind with their payments. It is the business' responsibility to put an entry on the credit file. This cannot be taken off unless it is an error. And so – I don't dispute that Virgin could've defaulted Mr S' account then – but the fact is they didn't – and instead gave him another three-month payment plan – with no payments needed, and on an interest free basis. The letter sent to Mr S on 2 June 2021 set that out.

I can then see that Virgin gave Mr S a 30 day hold on his account on 2 September 2021 - they'd sent him an income and expenditure form to complete so they could assess his situation and see what support they could give him. That was the right thing to do. I can see that Virgin sent him the form three times - and each time, Mr S said he hadn't received it. But he sent one to Virgin on 1 October 2021 – Virgin say they didn't receive this. But they've also said they didn't process it – so I'm not . Mr S then called Virgin several times to ask for another form.

What happened next is the crux of this complaint. Virgin sent Mr S a Notice of Default on 9 November 2021 – with arrears of £1,340.08 to be paid by 7 December 2021. On 11 November 2021, Mr S called Virgin to say he had sent the form in and the notes on his account say that when it was received *"we can begin to assess customer situation and get onto a plan...if we get plan sorted he won't have to worry...(about interest)"*.

On 24 November 2021, Virgin received Mr S' income and expenditure form.

I can then see that Mr S called Virgin on 30 November 2021 to see if the form had been received – the call handler said it had, and a call back was arranged to discuss the form and a solution for Mr S. Mr S called Virgin again on 1 December 2021 – and another call back was agreed. But – I can't see that any call backs took place to discuss the form and what it showed. Virgin told us the form was incomplete – but I've seen it and I don't agree

with that. And it showed that Mr S had returned to work and showed monthly income of £2,025 and outgoings of £1,087. Credit repayments were £227 – excluding Virgin. The form also said he had an investment of £70,000. Unfortunately, it doesn't appear that Virgin assessed the form and didn't contact Mr S about it. Had they done so, and discussed his circumstances, I think it's likely that they could've agreed a scheme of repayment with him. The minimum monthly payment to the Virgin credit card in December 2021 was £272.30 – which based on the form, Mr S could afford.

But, what then happened was that on 8 December 2021, Virgin defaulted Mr S' account. That was two weeks after they'd received the income and expenditure form – so they had time to look at it and speak to Mr S, but didn't.

Mr S called Virgin on 10 December 2021 to chase matters up, and a complaint was opened at that time. He called another two times in the next few days to find out what was happening. The notes on Mr S' account say that on 14 December 2021 “...spoke to (customer) and told him the account will remain in defaulted status until complaints team complete investigation and get in touch.” But - the complaints investigation wasn't concluded.

It's unfortunate that Virgin didn't complete their investigation – which I must say I found odd. I don't think it was reasonable of Virgin to not complete an investigation because the eight- week timescale had passed. But as we aren't authorised to make a judgement on complaint handling processes at firms – I can't comment any further on that.

And so – I think it was reasonable to expect Virgin to have looked at Mr S' income and expenditure form, analyse it and see what support he should have been given. This could've taken place after 24 November 2021 and before the default on 8 December 2021. But they didn't. And so - my view is that the default should be removed.

Mr S has said to us that he has another job and can afford to make the minimum payments to Virgin from now on. I think it's therefore fair that Virgin contact Mr S and look at his current circumstances to confirm that. And if it's viable, the account should be put back on a commercial basis. Virgin have told us the debt hasn't been sold to a debt collection agency – and that shouldn't be necessary now. I agree that Virgin should also pay £200 compensation as they've offered – for the inefficiency in dealing with the income and expenditure form.

Mr S should be aware that the minimum payments are likely to be around the amount payable in December 2021 (£272 per month) when responding to this provisional decision.

Responses to the provisional decision:

Neither Virgin nor Mr S responded. I now need to make a final decision. **(continued)**

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.

As neither Virgin nor Mr S had any comments, I won't be departing from my provisional decision.

My final decision

I uphold this complaint. Clydesdale Bank Plc trading as Virgin Money must:

- Remove the default dated December 2021 from Mr S' credit file.
- Agree a repayment programme on a commercial basis, with normal interest rates and repayments – subject to confirming Mr S' circumstances.
- Pay compensation of £200 for distress and inconvenience.

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

Martin Lord
Ombudsman