

The complaint

Mr E complains that Clydesdale Bank Plc trading as Virgin Money unfairly withdrew his promotional interest rate when he missed a payment by hours.

What happened

Mr E had an existing Virgin Money credit card, and he took advantage of a 0% promotional interest rate for a Money Transfer he made. Mr E says he made the first payment 24 hours late as he had an existing direct debit set up with them, but they did not take his repayment via this method, and they couldn't confirm whether they had cancelled it. He says from this point, he was charged interest on the Money Transfer. He says Virgin Money failed to notify him that he had lost the promotional interest rate, failed to notify him that he did not have a direct debit in place to make the first payment and he said setting up a direct debit should be part of the customer journey.

Mr E says he rang Virgin Money and the call handler told him that they are calculating the interest to see what they could do for him, but when she returned to him she said that there was nothing they could do for him. Mr E made a complaint to Virgin Money, but he says they took three months and they had written to him to say that they are still looking into it, so he brought his complaint to our service after they directed him to us.

Virgin Money issued a response to Mr E's complaint. They partially upheld his complaint. They said that they were arranging a payment of £75 to his current account for him clearly been given the impression that a sum of interest would be refunded, even if briefly and as they had not responded to his complaint in 56 days. Virgin Money said that the statement issued to Mr E following the Money Transfer made no reference to the presence of a direct debit so he would have been fully aware of the need for a manual payment. They said they issued a text message prior to the first payment due date that advised payment was required and he was also sent a text message the day after the due date that advised a payment was required by 6pm via Faster Payment to ensure no loss of his promotional rate.

Mr E was not satisfied with Virgin Money's response so his complaint was allocated to one of our investigators. Our investigator said that Virgin Money should refund the interest that Mr E was charged as part of his Money Transfer to put Mr E in the position that he would have been in had the promotional interest rate not ended. He said they had unfairly withdrawn the promotional interest rate as Mr E had made a payment a day late, which their text message allowed him to make a payment as long as it was made by 6pm on 14 September 2021.

Virgin Money asked for an Ombudsman to review Mr E's complaint. They made a number of points. In summary, they said that his August 2021 statement did not reflect that they could collect his payment by direct debit. They said that they sent Mr E a text message with instructions to make his payment so that it would credit the account on time, however, these instructions were not followed. They said he had been sent statements each month which showed he had been charged interest, but these were ignored until he contacted them.

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 agree with Virgin Money that Mr E had a responsibility to check his statements. And if he couldn't access them, then he had a duty to notify them of this. He would've been able to have seen that he was being charged interest earlier than when he brought this to Virgin Money's attention. But Mr E didn't benefit as a result of this oversight. He paid a lower capital repayment to Virgin Money as a result of him not noticing this as a proportion of the repayment was being allocated to interest charges.

It is not disputed that Mr E used to make his repayments to his Virgin Money credit card by direct debit. But based on the direct debit appearing to be inactive, no direct debit was active to make his first repayment after the Money Transfer had been made. It's not clear who was at fault for the direct debit being made inactive, whether it was Virgin Money or his own bank. But I'm satisfied that Mr E would not be aware of this. As Virgin Money did not notify him of this then it would be reasonable for him to assume that his payment would be collected by direct debit.

I recognise that Virgin Money may not be at fault for this, so they also could be unaware that the direct debit was inactive. Mr E's August 2021 statement didn't show either way whether his payment would or wouldn't be made via a direct debit. And I'm not persuaded that a direct debit should be set up as part of a customer journey as Mr E has suggested. I say this because a direct debit was previously set up for Mr E and it didn't collect after the Money Transfer. And also a direct debit is not the only way a customer can make repayments. They may prefer to use another method that Virgin Money offers. But the statement did show that a payment of at least £109.20 would need to be paid by 13 September 2021.

I've considered what Virgin Money have said about them sending Mr E a text so he could avoid losing his promotional interest rate. Mr E received this text from Virgin Money on 14 September 2021 at 15:30 – the day after his due date which read "*Your payment is overdue. You need to make a faster payment by 6pm or you will lose any promotional rates. Please ignore if you have already paid.*" So I'm satisfied that it was clear to Mr E that he needed to take action quickly as he would only have 2.5 hours of him receiving the text to 6pm to avoid him losing the promotional rate. Virgin Money have provided us evidence that Mr E had made a payment to them at 15:31pm on 14 September 2021. But the payment he made was via a debit card payment as opposed to a Faster Payment Service payment.

This is the crux of the issue. Virgin Money say that as Mr E didn't follow the instruction to make a Faster Payment, then this is why the promotional rate was withdrawn. They say that a debit card payment can take up to three days to reach his account and they sent us evidence of a screenshot of their application (app) which shows this message. But Mr E has viewed the message that he needed to make a payment fast to avoid losing his promotional interest rate. He has pointed out that the message didn't say he needed to use the Faster Payments Service to make the payment, just that he needed to make a faster payment. He has highlighted the lack of capitals on the text message about a faster payment and so he didn't realise there was a specific method of payment that was needed to be made to avoid losing the promotional rate.

I'm satisfied that Virgin Money were entitled, under the terms and conditions of the account, to end Mr E's promotional interest rate when the payment wasn't made by the due date. But I do need to think about what's fair and reasonable in all the circumstances of a complaint. In doing so, there will be times that a strict application of any terms and conditions, will result in an unfair outcome for a customer in the individual circumstances of a dispute.

In my view that's what's happened here. I say this because Mr E acted within a minute of receiving the text telling him that his payment was overdue. His payment was successful. Here, the payment was credited to Mr E's account on the following day – 15 September 2021 – hours after a Faster Payments Service payment would have been credited to his account. I'm also not persuaded that Mr E would reasonably have cause for concern about the payment he made as the text message said that he had to make the payment by 6pm, not have the payment credited to his account by 6pm. And while Virgin Money and Mr E have different interpretations of a faster payment, I'm satisfied that the intent was clear from Mr E that he acted as soon as possible – within a minute – to ensure he made a fast payment to Virgin Money.

I'm persuaded that Mr E genuinely didn't realise that the payment needed to be made by the Faster Payments Service. I say this as it wouldn't make sense for him to make the required payment within a minute using a method which would contribute to him losing the promotional interest rate over the Faster Payment Service method (which would be as simple as making the debit card payment) and would guarantee him to keep the promotional interest rate. I'm persuaded that he acted as soon as he reasonably could have done once he's realised that something could be wrong with the payment. So if Virgin Money had considered the very individual circumstances here, I'm persuaded they would have realised that he made an honest and genuine error by making the repayment via a debit card payment as opposed to a Faster Payments Service payment.

I think on this basis, it would have been fair and reasonable for Virgin Money to show Mr E some forbearance here, as he had already paid them a fee for the Money Transfer, he made a payment before 6pm on the day he was instructed to, and a payment still credited his account a day after the day extension. Ultimately, this was a small and genuine mistake on Mr E's behalf that had a big impact on him. I think it would've been fair for Virgin Money to think about what was proportionate here and to have reinstated the promotional offer, to allow Mr E to continue with this now he understood the nature of his error. The direct debit was activated for the following payment and there were no further issues with the collection of his repayments. But as there is now no balance owed by Mr E to Virgin Money, I'll be asking them to refund the interest he paid as a result of him losing the promotional offer.

That's not to say that Virgin Money should always give a customer another chance where they may have made a mistake that compromises an offer like this. It's just that I think this would be fair given the circumstances here. It would not be proportionate for me to ask Virgin Money to pay Mr E anything extra for what happened here such as statutory interest or a distress or inconvenience payment on top of the refund based on the unique individual circumstances here. I'm satisfied that the £75 they paid for him for the service failings was fair. But it follows I require Virgin Money to put things right for Mr E regarding the interest he paid as part of losing his promotional interest rate.

Putting things right

Our investigator suggested that Virgin Money refunds Mr E the interest he paid as a result of him losing the promotional interest rate on the Money Transfer, which I think is reasonable in the circumstances.

My final decision

I uphold this complaint. Clydesdale Bank Plc trading as Virgin Money should refund Mr E the interest he has paid as result of him losing the promotional interest rate on the Money Transfer.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 17 May 2023.

Gregory Sloanes
Ombudsman