

The complaint

Miss E complains Clydesdale Bank Plc trading as Virgin Money ('Clydesdale') has acted unfairly in relation to a loan it provided her with.

What happened

Clydesdale approved Miss E for a £6,400 loan. Miss E says this loan was used to settle a third-party loan (I'll refer to this as Bank A's loan) which had been taken through coercion. Miss E was a victim of financial and economic abuse from her ex-partner, who she says forced her to take out Bank A's loan for his benefit.

Miss E has requested that considering the circumstances of this loan that the remaining balance – approximately £2,600 – be written off. She says this is because the funds were used to settle a debt which wasn't hers.

Our investigator looked into the complaint; and felt that Clydesdale did not need to write off the amount outstanding. Whilst sympathising with the circumstances surrounding Miss E's complaint, he said this loan was not taken out through coercion and as such writing off the remaining balance was not appropriate. He recommended that Clydesdale treat the debt as 'non-pursuant', and that it continued to remove any interest and charges which had been applied to the loan (something which Clydesdale had already agreed to do).

Miss E disagreed with the investigator's recommendation. She maintained the loan balance should be written off, and that the redress proposed would not improve her situation.

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.

Both parties are aware of the circumstances surrounding this complaint. Miss E has been very open with our service regarding very difficult circumstances. I can't imagine this was easy for her, so I'm grateful for the information she has provided. I can assure her I've very carefully considered all the information she has provided.

Miss E has repaid over half of the existing capital balance; and says there is little reasonable prospect of her being in a financially stable position that she'll be able to repay the remaining balance (£2,600). She has explained that writing off the remaining debt will enable her to get to a position where she is more financially stable. She maintains she has not had the use of the funds of this loan, as it was taken out as a consequence of her previous coercive and abusive relationship.

I have very carefully considered Miss E's arguments, but whilst I sympathise with the wider circumstances, I'm not persuaded that this debt should be written off. I know this will come as a disappointment to her.

I think it is important to set out the Clydesdale has removed all interest and charges from the

loan at this point. The majority of all of the payments which Miss E has made has reduced her capital amount. This means she is only paying back the funds that were used by her to settle the previous loan. This will also be the case going forward.

I appreciate Miss E argues she has not had use of these funds, and again whilst I do understand her point of view, I'm not persuaded that I agree with this. Whilst I've no reason to doubt her information about how she came to take out Bank A's loan, there is acceptance that she was not coerced into taking this particular loan with Clydesdale. Miss E has explained the original debt from Bank A's loan is not hers, and therefore she should not have to repay it. However, this loan settled the loan with Bank A and therefore she did use the funds of this loan as result. Whilst she may have concerns with Bank A's loan and use of those funds, ultimately this isn't something I can hold Clydesdale responsible for. And if Miss E is unhappy with the circumstances of her indebtedness as a result of Bank A's loan, this is a matter she'll need to take up with it, rather than Clydesdale.

From what I've seen I'm satisfied Clydesdale acted fairly and reasonably when dealing with this loan. Miss E has made Clydesdale aware of her wider circumstances and it has taken the matter seriously (as it should). And it exercised forbearance and due consideration once it became apparent that Miss E was having difficulty making her payments. In particular it has removed the interest and charges from the loan and has been working with Miss E to make small repayments towards it. Following our investigator's view, it has also now agreed to treat the debt as 'non-pursuant', instead of having regular reviews with Miss E to understand her financial circumstances going forward.

I have considered Miss E's financial position in regard to her ability to repay this debt. She has provided some information in terms of her outgoings and expenses. It may be appropriate to ask for a business to consider writing off a debt in certain circumstances. And I've considered whether this would be appropriate here.

However, having reviewed the information Miss E has provided, I'm not satisfied it is appropriate for me to direct Clydesdale to write off the balance here. Whilst I don't doubt the situation she has described; she is also again working (albeit part time). I also note she says she has other creditors she is continuing to make payments to. I don't think it would be fair and reasonable to require Clydesdale to write off its outstanding balance, in these circumstances, especially as it has agreed not to pursue the debt unless and until Miss E's circumstances change for the better.

Whilst I appreciate Miss E disagrees with how matters are being put right here, I'm satisfied that Clydesdale treating the debt as non-pursuant and not adding any interest or charges to the amount borrowed, is the fairest outcome in this particular instance.

Putting things right

In order to put things right in this instance, as has been agreed previously, I require Clydesdale to:

- Ensure Miss E, in total, pays no more than the £6,400 she was initially lent;
- Treat Miss E's account as non-pursuant. This should be regularly reviewed. Miss E's circumstances (no sooner than every six months) should be reviewed to establish whether there have been any changes to her personal or financial situation that would enable her to continue with making repayments towards the loan. And, other than the reviews I think it should carry out, Clydesdale should not actively contact or pursue Miss E for the debt. If and when Miss E is in a position to sustainably repay the loan, then Clydesdale and Miss E should work together to come up with a

suitable repayment plan.

My final decision

My final decision is that I uphold this complaint and Clydesdale Bank Plc trading as Virgin Money should put things right as I have set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss E to accept or reject my decision before 4 June 2023.

Tom Whittington
Ombudsman