

The complaint

Mrs C complains that Clydesdale Bank Plc trading as Virgin Money closed her Individual Savings Account (ISA) and they transferred the funds into a non-ISA account.

What happened

Mrs C opened a fixed rate cash ISA with Virgin Money in July 2022. She provided a copy of her driving licence and a copy of a bank statement as identification, but Virgin Money didn't accept the bank statement as the account number had been redacted. Mrs C says she used the bank statement as identification for two other occasions and it was accepted by them, so Virgin Money should have also accepted it. Due to a bereavement and other personal circumstances at the time, Mrs C was not in a position to send Virgin Money further identification. In addition to this, her email account had been compromised and she didn't have access to her emails for a period of time.

During this period, Virgin Money had sent Mrs C emails stating that the ISA would be closed and the money would be transferred to her nominated account. Mrs C only became aware of what happened when she went to deposit money into her nominated account, and she saw the balance was significantly higher than she expected. Mrs C made a complaint to Virgin Money.

Virgin Money credited Mrs C's account with a £250 goodwill gesture. They said as the bank statement had been redacted they were unable to accept this. They said they sent her an email on 29 July 2022 advising Mrs C of this, and they asked her to provide another piece of identification. They sent her another email asking for the relevant documents on 26 November 2022 and 21 December 2022. Virgin Money advised if they didn't receive the documents by 5 January 2023 they would unfortunately have to return her funds and close the account. As they received no response they returned the funds to her nominated account and the account was closed on 12 January 2023.

Virgin Money said that as the account which the funds were originally transferred from was closed, they had to send the funds to Mrs C's nominated account. They said as the account was not an ISA, she lost the ISA status, but they have to follow rules and regulations. They said they weren't able to ring Mrs C about what was happening and they sent her emails instead due to the account being an online based account. Mrs C brought her complaint to our service.

Our investigator did not uphold Mrs C's complaint. He said Virgin Money's policy is that they can't accept a redacted bank statement, and it is for them to put in place their own processes, which they acted in line with here. He said they sent her emails between 29 July 2022 and 12 December 2022, which explained that the statement submitted couldn't be accepted and Mrs C would need to supply alternative identification, otherwise the account would need to be closed. As there was no response, the account was closed, and funds were moved to the nominated account.

Mrs C asked for an ombudsman to review her complaint. She made a number of points. In summary she said she had lost the ISA status despite building this up over a period of 11

years, she is now suffering a loss of ongoing interest because of this and with the rise of interest rates this year. Mrs C says that she recently opened a new account with a third party, and she wasn't asked for identification because she had accounts with them previously, which she says she was in the same situation as she was in with Virgin Money. She says if Virgin Money had called her last December, then this would have prevented all of the stress this caused her. Mrs C says her name and address was clear on the statement and those parts weren't redacted.

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.

First of all I'd like to pass my condolences onto Mrs C. I've read about her personal circumstances during last year and I can sympathise with everything that happened. As my role is impartial, what I need to decide here is if Virgin Money have made an error with the actions they took.

I'd like to explain to Mrs C that it is not within this service's remit to tell a business what their security procedures should be and whether they should accept redacted identification or not. It is up to Virgin Money to be able to satisfy themselves that they are meeting any regulatory and legal obligations they may have. It would be the role of the regulator – the Financial Conduct Authority, who have the power to instruct Virgin Money to make changes to their policies and procedures, if necessary.

Although Mrs C has commented about how a separate financial institution has treated her with regards to her not having to provide any identification, this doesn't mean that Virgin Money has done something wrong by asking for certain identification. It is up to each financial institution to make a decision as to what they feel is necessary identification to meet their legal and regulatory obligations.

I have had a look at the statement that Mrs C sent Virgin Money. I can see that she redacted three pieces of account information on this document. While Mrs C has said it didn't say she couldn't redact any of the information, the same argument could be made that it didn't say she should redact any information on the statement. While I'm aware that the same identification was accepted elsewhere, this wasn't accepted by Virgin Money, as all of the account information wasn't visible on this statement. As the requirement was to provide a photocopy of the statement (or the original copy), I'm not persuaded the original copy would have been sent to Mrs C with her account details redacted by the third party building society. So I can't say Virgin Money were wrong to reject this.

I've looked at what Virgin Money did after they couldn't accept the redacted statement. They sent Mrs C an email advising her that they couldn't accept the statement as some of the details had been redacted and they advised her of the next steps. They then sent her a follow up email to say they hadn't received any documents from their confirmation of identity list they sent her. It advised she needed to send it to them by 12 December 2022. As they did not receive a response from Mrs C, they sent her a final chaser for the identification, and they told her that if they didn't receive the document before 5 January 2023 then they would close her account. The funds were then transferred to her nominated account.

I'm satisfied that Virgin Money were reasonable with the actions they took here. While I understand Mrs C relied on the ISA interest to help meet her outgoings, Virgin Money sent several emails over a period of several months to try and help avoid what ultimately happened. Although Mrs C did not have access to her emails at the time, I can't see that she notified Virgin Money about this, so they would have been unaware that Mrs C was having

any issues. And given that her account was an online based account, I would expect Virgin Money to communicate with her online through emails or secured messages. While a phone call may have helped prevent what happened, Virgin Money had no obligation to ring Mrs C when they had sent several emails to her email address for the online account.

The terms and conditions show that they can close an account immediately if they couldn't confirm her identity. They also show they could close the account immediately if she gave them incomplete information in connection to the account. But Virgin Money did not close the account immediately, they gave Mrs C several chances to provide the unredacted information over a period of several months. So I'm persuaded that they gave Mrs C several opportunities to avoid the account being closed, especially as they weren't aware of her situation.

But when Mrs C made Virgin Money aware of her personal situation, and the reason why she couldn't act on the emails, Virgin Money did agree to reinstate the ISA for her, providing she could send them a cheque from the third party bank. So I do think that Virgin Money were trying to assist Mrs C here even though I'm not persuaded they made an error in what happened here. Unfortunately as Mrs C had deposited these funds in an account elsewhere which was a term deposit account, then the funds weren't able to be paid back into the ISA. So although Mrs C has said she lost her ISA status after building this up for 11 years, Virgin Money did give her the opportunity to retain this, even after she had closed the account.

Although I'm not persuaded Virgin Money were unfair in the actions they took, it would be distressing for Mrs C to find out the funds had been paid into her external account. Virgin Money have paid Mrs C £250 compensation as a gesture of goodwill. This is more than I would have been able to award Mrs C based on the events here. So it follows I don't require Virgin Money to do anything further.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 20 October 2023.

Gregory Sloanes
Ombudsman