

The complaint

Mr W and Mrs W complain Clydesdale Bank PLC trading as Virgin Money (Virgin) failed to initiate the automatic sweep from their deposit account to their current account resulting in a direct debit being returned unpaid.

What happened

Mr W says on 23 March 2023 he received a text message from Virgin to say it may not be able to pay a direct debit due for his credit card account. Mr W says he had received similar messages previously but having spoken to Virgin in the past he was assured the auto sweep that was in place would transfer funds over to meet any payments due on the day and this had been evidenced several times before when situations like this arose.

Mr W says despite the auto sweep being in place and with more than sufficient funds held on his joint deposit account, Virgin returned his direct debit for his credit card provider causing him considerable upset and stress. Mr W says when he spoke to Virgin it informed him it hadn't made a mistake as it prioritised the payment of direct debits to any auto sweep that may be in place.

Mr W says he is concerned this may have impacted his credit record and reputation with the credit card company. Mr W is unhappy that Virgin haven't provided any explanation why the transfer didn't take place and wants Virgin to admit it has made a mistake, waive the loss of interest as a result of the early closure of savings products held with them and pay suitable compensation above the £30 it has already paid.

Virgin says it accepts its initial final response letter was incorrect and it has made a mistake here and it let Mr W and Mrs W down here. Virgin says it has since discovered there seems to have been a technical error on its auto sweep system that day, resulting in only a smaller sum being transferred, rather than sufficient to cover the direct debit. Virgin says since then other auto sweep transfers have taken place as expected and apologised for the trouble this matter has caused and offered Mr W and Mrs W an additional £175 by way of apology and compensation for the upset caused. Virgin have offered to provide a letter to Mr W to explain the situation that he could provide to the credit card company if he wishes.

After Mr W referred this matter to this service the investigator looked at all the available information and while accepting Virgin had made a mistake here, felt the level of compensation it had since offered Mr W and Mrs W was fair.

The investigator pointed out Virgin had discovered there seemed to be a technical problem with the auto sweep that day which led to the direct debit for Mr W's credit card being returned unpaid. The investigator says Virgin apologised for the fact it incorrectly informed Mr W that it hadn't made a mistake and it had offered an additional £175 by way of compensation for the upset it has caused. The investigator says Virgin also offered to provide a letter to Mr W for his credit card company to explain the course of events.

Overall, the investigator felt Virgin's offer of compensation was fair in the circumstances.

Mr W didn't agree with the investigator's view and says Virgin only accepted responsibility for its mistake following the intervention of this service and asked for the matter to be referred 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.

Having done so, I will also be upholding this complaint, but I won't be asking Virgin to pay any further compensation to Mr W and Mrs W, and I will explain how I have come to my decision.

I can understand it must have been upsetting and frustrating for Mr W and Mrs W to discover the auto sweep facility it had in place with Virgin wasn't initiated in late March 2023, causing a direct debit for Mr W's credit card to be refused.

When looking at this complaint I will consider if Virgin were at fault for the failure of the auto sweep not taking place when it should have, and if it has subsequently adequately compensated Mr W and Mrs W for that.

Mr W and Mrs W have provided this service with comprehensive details of the course of events here and while that has proved helpful, I won't be commenting on every point made as I don't feel it's necessary in order to come to a full and impartial decision here. That's not to say I haven't considered everything they've said – I have.

The first thing to say here is since the matter has been investigated by this service, Virgin have accepted it has made a mistake and it appears a technical problem caused the auto sweep facility to fail that day, resulting in the return of a credit card direct debit. Virgin have apologised for that and agree it didn't provide Mr W and Mrs W with the correct information at the time of complaint and its service levels had let them down. Virgin have offered Mr W and Mrs W a further £175 by way of apology, in addition to the £30 it has already paid. Additionally, Virgin have offered to provide Mr W with a letter explaining what happened here so this could be provided to the credit card provider if needed.

Mr W and Mrs W don't think this apology and compensation goes far enough and believe Virgin have only resorted to this because the matter has been investigated by this service. While I understand Mr W's point here, it's worth saying part of the reason why cases like these are investigated by this service and referred back to businesses, is to give the opportunity for those businesses like Virgin to take a second look with a fresh pair of eyes and I'm satisfied having done that, Virgin have realised its mistake and have tried to put matters right here.

Mr W and Mrs W feel a fairer level of compensation should be at least £400 and Virgin should also compensate them for the early closure of a savings product.

Without trying to minimise the frustration this would have undoubtedly caused Mr W and Mrs W here, it's not my role to penalise businesses when mistakes like this occur but to ensure it apologises for that, takes corrective action, and provides a suitable level of redress – on balance I'm satisfied Virgin have done that here. After all there's no evidence to suggest Mr W or Mrs W's credit files have been impacted or Mr W's reputation with the credit card provider has been tarnished as he suggests and the offer of a letter from Virgin to explain matters should in all probability satisfy the credit card provider here – so I will leave it with Mr W to contact Virgin regarding that if he so wishes.

I have also seen evidence to show that post the incident in March 2023 other auto sweep transactions took place without further issues, indicating the technical issue now seems to have been resolved.

Although Mr W and Mrs W say they intend to close a savings product with an interest penalty, that is a decision they may choose to take so I can't hold Virgin responsible for the fact they felt they have to take that action here.

While Mr W and Mrs W will be disappointed with my decision, I feel the offer Virgin have made is fair and reasonable in the circumstances of this complaint.

Putting things right

I instruct Clydesdale Bank PLC trading as Virgin Money to pay Mr W and Mrs W a further £175 by way of compensation for the trouble and upset caused.

My final decision

My final decision is that I uphold this complaint.

I instruct Clydesdale Bank PLC trading as Virgin Money to pay Mr W and Mrs W a further £175 by way of compensation for the trouble and upset caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W and Mrs W to accept or reject my decision before 6 December 2023.

Barry White
Ombudsman