

## **The complaint**

Miss O complains that Clydesdale Bank Plc trading as Virgin Money unfairly reported a default on her credit card account.

Miss O wants Virgin Money to remove the default.

## **What happened**

Miss O was experiencing financial difficulties and could not keep up with her credit card account repayments.

Miss O was unhappy that after applying breathing space to her account, Virgin Money defaulted her account in June 2023. Miss O had gone to a debt advice charity for support and says that Virgin Money should not have reported the default.

Our investigator didn't initially recommend that Miss O's complaint was upheld as it didn't appear that Virgin Money had received anything from the debt charity and the agreed breathing space had ended.

After Miss O provided further evidence, our investigator went back to Virgin Money. Virgin Money apologised and said that due to a technical system issue, there was a delay processing the information it received about Miss O's contact with the debt charity. Virgin Money also said it had applied £53.75 in fees and interest after receiving the correspondence and that it would look to adjust this amount.

Our investigator told Virgin Money that he thought it should now remove the default, as if Virgin Money had dealt with the correspondence at the time, Miss O may have been able to enter into an arrangement which could have avoided the default being registered.

Virgin Money initially agreed that it would remove the default and our investigator sent a second view in which he recommended that Virgin Money remove the default, adjust the interest and fees charged to the balance and pay Miss O £250 compensation.

Virgin Money came back to say that it would no longer agree to remove the default. Virgin Money said that based on the financial statement from the debt charity, Miss O had a deficit in her income to expenditure of more than £100. So Virgin Money said it would have always ended up defaulting her account after she was more than 180 days in arrears.

Our investigator considered Virgin Money's response together with various call recordings between Miss O and the collections team. Our investigator sent Virgin Money a third view in which he agreed that although Virgin Money had not told Miss O to ignore default letters, she had made it clear she wanted to avoid a default. Miss O discussed seeking help from the debt charity and increasing her hours so that she could look at a workout plan which would have meant the default would not be registered.

Our investigator thought that if Virgin Money had dealt with the debt charity correspondence in April 2023, it is possible that an arrangement could have been reached which would have

prevented the default. Particularly as Virgin Money sent Miss O the default notice around the time that the debt charity sent it the information.

Virgin Money said that although Miss O asked for a payment suspension, she had already exceeded the breathing space limit. Virgin Money said that Miss O thought breathing space could be given for a year, but this was not the case. Virgin Money still thought that Miss O's account would have defaulted as she had not made a payment since October 2022.

Virgin Money thought the proposed compensation award of £250 was high but said it would make the payment if it resolved Miss O's complaint.

As Miss O didn't agree with the outcome proposed by Virgin Money the complaint has come to me to make 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.

I realise that I have summarised this complaint in less detail than the parties and that I have done so using my own words. The rules that govern our service allow me to do so. But this does not mean I have not considered everything that both parties have given to us.

I appreciate Virgin Money's position that even if it had dealt with the information provided by the debt charity back in April 2023, Miss O would not have had sufficient funds available to reach an arrangement to avoid her account defaulting and that she had not made a payment since October 2022. However, I agree with our investigator that Miss O had shown a strong wish to avoid the default, including looking to increase her hours at work and turning to the debt charity for support.

If Virgin Money had responded to the debt charity's information before applying the default in June 2023, it seems possible Miss O could have found an alternative solution. I think this makes it fair to require Virgin Money to remove the default from Miss O's credit file.

As our investigator has said, by upholding Miss O's complaint, the aim is to put her back in the position she would have been had the mistake not happened. Virgin Money has sold Miss O's account to a third. So, my direction is that Virgin Money should instruct the new owner to remove the default. If this is not possible, Virgin Money should buy the debt back and then remove the default.

If the debt remains with the third party, I urge Miss O to contact the third party to try and agree an affordable repayment plan if she hasn't already done so. If Virgin Money needs to buy the debt back to remove the default, I would expect Virgin Money to contact Miss O to try and agree a suitable repayment plan.

Although Virgin Money thinks the proposed compensation award of £250 is high, I consider it fairly reflects the extended upset and worry Miss O has experienced after Virgin Money failed to deal with the debt charity information before applying the default.

### **Putting things right**

Virgin Money should:

- Pay Miss O £250 compensation

- If it hasn't already done so, adjust the fees and interest it applied to Miss O's account after receiving the information from the debt charity and tell the third party that this has happened
- Instruct the third party to remove the default from Miss O's credit file but if this is not possible, Virgin Money should buy the debt back and remove the default

If Virgin Money buys the debt back, it should contact Miss O to discuss arrangements for an affordable repayment plan.

### **My final decision**

My final decision is that I uphold this complaint. In full and final settlement, I require Clydesdale Bank Plc trading as Virgin Money to put things right in line with my directions above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss O to accept or reject my decision before 7 March 2024.

Gemma Bowen  
**Ombudsman**