

The complaint

Mr H complains that Clydesdale Bank Plc trading as Virgin Money unfairly handled a credit card account he held with it.

What happened

Mr H has held a credit card account with Virgin Money since 2006. During that time Mr H says he was automatically provided with replacement credit cards as and when the previous card expired.

Mr H says that due to the impact of Covid-19 he hadn't had any reason to use the credit card so wasn't aware that it had an expiry date of November 2021. He says it was in February 2023 when he was planning to use the credit card that he discovered it had expired and that Virgin Money hadn't sent him a new one. So, he rang Virgin Money to ask that a replacement card be sent to him.

An agent for Virgin Money informed Mr H that a new credit card would be sent out in the following 10 days. However, when this card wasn't received Mr H again contacted Virgin Money. This time the agent said that as it had been over a year since the last card had expired a replacement couldn't be issued. Mr H was advised that he would have to close his account and then reapply if he wished to have a credit card account. Mr H reluctantly agreed to close his account.

On reviewing his decision, Mr H was unhappy that he had closed his account and complained to Virgin Money about its handling of the account and its failure to issue him with a replacement card.

Virgin Money said that Mr H hadn't been sent a replacement credit card when his old one had expired because there was a "*retail inactivity*" marker on his account indicating that the credit card hadn't been used for a significant period of time. This meant that, as security precaution, a credit card wasn't automatically provided and instead a new one would only be sent if Mr H requested it. Virgin Money said this was a business decision and the credit card's terms and conditions didn't prevent this. Virgin Money also said that it had been Mr H's responsibility to be aware of the date his credit card expired.

However, Virgin Money also said that Mr H had been misinformed by the agent that a card would be sent within 10 days and offered him £25 for the distress and inconvenience this would have caused to him.

Mr H was unhappy at Virgin Money's response and complained to this service. He said he had always operated his account within the known terms and conditions and disputed his account had been inactive. He said he wasn't aware of the inactivity marker and if he had he would have taken steps to use the credit card. Mr H said he had been disadvantaged by closing this account.

During our investigator's enquiries with Virgin Money as to its handling of Mr H's account, Virgin Money agreed that it hadn't followed its correct processes when it had declined to

renew Mr H's credit card. It said that Mr H should have been advised he had a right of appeal to another department who would have reviewed whether anything else could be done for a customer in Mr H's situation. However, Virgin Money said there wasn't a guarantee this process would have led to a positive outcome for Mr H. Virgin Money offered Mr H £100 as compensation for its failure to follow its process.

Our investigator recommended that Mr H's complaint should be partially upheld. She said that as the account was now closed it couldn't be reactivated but Mr H could reapply if he wished to. Our investigator also said that she thought it was reasonable for Virgin Money not to have automatically provided Mr H with a replacement credit card in these circumstances and that not issuing a replacement over one year after expiry was fair. However, Virgin Money hadn't followed its own processes by informing him he could appeal and that had caused him distress and inconvenience. She said that as the outcome of the appeal process couldn't be known then the £100 compensation offered was fair and she would ask Virgin Money to pay Mr H that amount in settlement for his complaint.

Mr H disagreed with the view of our investigator. He said that account had been active up until August 2022 when he had cleared the balance. He said that had he been aware he had to use the card periodically he would have done so. Mr H said having this account closed had impacted on him in regard to financial decisions. Mr H said he had felt pressurised to close the account.

As the parties were unable to reach an agreement the complaint has been passed to me.

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.

Mr H feels strongly that the account was being used and wasn't inactive but does accept he hadn't physically used the card for some time. Mr H had, on a number of occasions, used the account for balance transfers to take advantage of 0% offers that Virgin Money made to him. However, the marker wasn't that the account itself was inactive but that it was "*retail inactive*" and the credit card hadn't been physically used for purchases for around three years at the time of renewal.

Virgin Money has explained that if a credit card has a retail inactive marker, then the policy is not to send a replacement card automatically but wait for the customer to make a request. This is a business decision and a security precaution. Given that it was also Mr H's responsibility to be aware of when his card was expiring, I can't reasonably say this decision of Virgin Money's was unfair. And looking at the terms and conditions of the credit card, I also can't say that it was in contravention of them either.

Although I accept Mr H's account was still active in that he had a balance on it which he paid monthly it wasn't "*retail*" active. Using the account for balance transfers only wouldn't mean the credit card was being used. I think Virgin Money was entitled to put the marker that it did on Mr H's account due to the length of time that had passed since he had last used it to make purchases on items or services.

The card expired in November 2021 and Mr H didn't request a replacement until February 2023. And while I appreciate this will be of disappointment to Mr H, looking at the delay between the card's expiry and Mr H's contact, I can't fairly say Virgin Money wasn't entitled to say it couldn't issue a replacement card after that period of time and so invite him to close the account.

Virgin Money, on reflection, says it hasn't handled Mr H's account as it should have done in these circumstances. Firstly, an agent wrongly advised him a replacement card would be sent out within 10 days and then, later, it didn't tell him he could seek an appeal of the decision not to provide a replacement card. Virgin Money has offered Mr H a £100 compensation for this.

Mr H disagrees with the offer of compensation as he would like his account and credit limit reinstated, although he has indicated he would be content with a lower credit limit. Mr H says that he has suffered a disadvantage not having the credit account available to him any longer.

I think the offer of compensation in the amount of £100 is fair and reasonable here looking at the impact Virgin Money's actions have had on Mr H. I appreciate not being able to follow the appeal process would be frustrating and distressing to Mr H but the outcome of such an appeal isn't a given. I can't reasonably say that Virgin Money would have agreed to maintain Mr H's account. I also understand that having this account closed is an inconvenience for Mr H, but I can't reasonably say that it has caused him a financial detriment.

Once the credit card account is closed it can't be re-activated and I can't instruct Virgin Money to agree a credit card account for Mr H automatically, affordability checks are a requirement for any credit agreement. So, Mr H will need to re-apply to Virgin Money if wishes to hold this credit card account again.

I'm sorry my decision will be a disappointment to Mr H but I'm only partially upholding his complaint as I agree Virgin Money didn't follow its processes but I'm not going to ask it to do more than it has already offered in respect of paying compensation.

Putting things right

I'm asking Virgin Money to pay Mr H £100 as compensation for the distress and inconvenience caused to him by its providing him with misinformation and its failure to offer Mr H with the opportunity to appeal its decision.

My final decision

For the reasons set out above, I'm asking Clydesdale Bank Plc trading as Virgin Money to pay Mr H £100 compensation for the distress and inconvenience caused to him by its providing him with misinformation and its failure to offer him the appeal process in respect of the decision not to issue a replacement card.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 11 March 2024.

Jocelyn Griffith
Ombudsman