

## The complaint

Mr E complains that Clydesdale Bank Plc trading as Virgin Money, closed his bank account and held onto funds paid into the account. He also complains that Virgin Money has recorded incorrect data to credit reference agencies which has affected his credit score.

## What happened

The detailed background of this complaint is well known to both parties. So, I'll only provide a brief overview of some of the key events here.

Mr E opened an account with Virgin Money in March 2023.

In April 2023, a payment of £5,000 was made into Mr E's account from another account Mr E had with a different bank. Mr E transferred the money out of his account immediately back to the person who'd sent him the money. Following this Virgin Money decided to review how Mr E was using his account. Whilst Virgin Money completed its review Mr E was unable to access digital services, but other than that Mr E was able to use his account normally.

After it had completed its review, Virgin Money gave Mr E 60 days notice that it intended to close his account. The account was due to close on 16 September 2023. However, due to back logs Virgin Money didn't close Mr E's account until mid February 2024, and the monthly account charges were recorded as missed payments on Mr E's credit file.

In September 2023, Mr E contacted Virgin Money to say he was expecting £4,000 to be paid into his account. And that the money wasn't showing in his account. Virgin Money told Mr E that his account was due to be closed and asked him to provide proof of his entitlement to the money he was expecting. The bank also explained that the money had been placed into a sundry account whilst it reviewed the payment. Mr E told Virgin Money that he was unaware his account was due to be closed and hadn't received the bank's notice to close letter.

Mr E provided a screen shot showing that the £4,000 had been sent to him and said his friend had sent him the funds to buy items for her whilst he was on holiday. Virgin Money looked at the information Mr E provided and also contacted the sending bank. Virgin Money released the funds to Mr E on 13 October 2023.

Mr E complained to Virgin Money. He said Virgin Money wouldn't have released the money he was expecting if he hadn't called them. He maintained he hadn't received the closure letter and said Virgin Money shouldn't have held onto his account balance. In response, Virgin Money said it hadn't done anything wrong and had closed Mr E's account in line with the terms and conditions of the account. It also said it was entitled to review accounts and ask its customers for information about how they were using their accounts.

Mr E remained unhappy so he brought his complaint to our service where one of our investigators looked into what had happened. The investigator asked Mr E and Virgin Money for more information. After looking at everything the investigator said Virgin Money hadn't

done anything wrong when it had reviewed and closed Mr E's account. She also thought Virgin Money hadn't treated Mr E unfairly when it had asked Mr E for proof of entitlement to the £4,000 and that once Virgin had completed its account closure process the charges and fees applied to Mr E's account would be obsolete.

Mr E wasn't happy with the investigator's view. He said his credit score had been impacted and Virgin Money had reported incorrect information to the credit agencies. He said he'd been turned down for an increase to his credit card limit and sent the investigator screen shots of his credit file and credit card limit being declined. Mr E said he was worried his account would be defaulted because Virgin Money were taking too long to close his account.

Prior to issuing this decision I asked the investigator to go back to Virgin Money and Mr E. I also asked the investigator to give Virgin Money the information Mr E had provided and explain what he wanted the bank to do to put things right. Mr E provided snap shots of his credit file, and said he wasn't able to provide his full file as there were no options to print or download his full file.

The investigator went back to Virgin Money with the information Mr E provided. Virgin money confirmed it had corrected Mr E's credit file in February 2024 and backdated the closure of the account to October 2023. Virgin Money also said it had removed the missed payment information relating to the account fees and interest.

Mr E remained unhappy. He said his credit score hadn't gone back to where it was before the missed payments were recorded on his credit file. He said because of this he had not been being able to apply for a packaged bank account with phone insurance. So, he said Virgin Money hadn't done enough to put things right.

As no agreement could be reached the matter has come to me to decide.

### **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.

Virgin Money has important legal and regulatory responsibilities to meet when providing accounts to customers. Those obligations are ongoing and don't only apply when an account is opened. They can broadly be summarized as a responsibility to know its customers, monitor accounts, verify the source and purpose of funds, as well as detect and prevent other financial harm.

Virgin Money will review accounts to comply with these responsibilities. It's common practice for banks and other financial service providers to conduct a review - doing so helps prevent potential financial loss or other harm that could result. The terms and conditions of Mr E's account also make provision for Virgin Money to carry out reviews, stop payments and ask a customer for information.

I've considered the basis for Virgin Money's review and having done so I find this was legitimate and in line with its legal and regulatory obligations. I say this because Mr E's account had recently been opened and the £5,000 was out of character to how Mr E was operating the account. So, I'm satisfied Virgin Money acted fairly by reviewing Mr E's account.

As part of their review, on 11 September 2023, Virgin Money asked Mr E for detailed information about the payment of £4,000 - where it came from and why he was receiving it – which they're entitled to do under their regulatory obligations. Having reviewed everything, I

think Virgin Money's requests were reasonable in the circumstances. Ultimately it is Virgin Money who decide what information they do or do not require as part of a due diligence review - they have a duty to protect their customer's money and understand where it came from. Because of that, I can't fairly conclude Virgin Money acted inappropriately when it asked Mr E to provide it with information about the source and purpose of the £4,000 credit that Virgin Money stopped.

Whilst Virgin Money are entitled to review a customer's account, I'd expect them to do so in timely manner. Virgin money stopped the £4,000 on 11 September 2023, and it asked Mr E to provide information about the payment. In response Mr E sent Virgin Money a screenshot of an account showing the money being sent to Mr E's Virgin Money account on 7 September 2023. Virgin Money didn't think this was enough to show Mr E was entitled to the money, so it reached out to the sending bank. I don't think this was an unreasonable action for Virgin Money to take. I say this because the information Mr E provided simply showed that Mr E received the money – which isn't in dispute. The screen shots didn't show from where the money had been sent, and Mr E didn't provide any evidence which supported his explanation for why he was receiving the money.

I can see that Virgin Money chased the sending bank and released the money to Mr E on 13 October 2023. Given everything I've seen I can't say there were any undue delays. I note Virgin Money had to follow things up with the sending bank due to a lack of response, but it wouldn't be fair for me to hold them responsible for the lack of action of another business. Overall, I'm satisfied that Virgin Money were proactive in completing what it needed to do, in order to comply with its legal and regulatory obligations.

Sometimes following a review, a bank will decide to close an account. And that's what happened here. Virgin Money is entitled to close an account with Mr E just as he is entitled to close his account with the bank. It's generally for banks and financial businesses to decide whether or not they want to provide, or to continue to provide, banking facilities to any particular customer. Unless there's a very good reason to do so, this service won't usually say that a bank must keep a customer or require it to compensate a customer who has had their account closed.

As long as they reach their decisions fairly, it doesn't breach law or regulations and is in keeping with the terms and conditions of the account, then this service won't usually intervene. I've looked at the terms and conditions and they state that Virgin Money could close Mr E's account by giving at least two months' notice. And in certain circumstances it could close the account immediately. In this case Virgin Money closed Mr E's account with the full notice period. So, I'm satisfied Virgin Money has complied with this part.

I've then gone on to consider whether the bank's reasons for closing the account was fair. In doing so, I appreciate that Virgin Money is entitled to set their own policies and part of that will form their risk criteria. It is not in my remit to say what policies or risk appetite Virgin Money should have in place. This can be due to a number of reasons and a bank isn't obliged to give a reason to the customer. Virgin Money has provided some further details of its decision making process, I'm sorry but I can't share this information with Mr E due to its commercial sensitivity. But I've seen nothing to suggest the bank's decision around closing Mr E's account was unfair.

I understand of course why Mr E wants to know the exact reasons behind Virgin Money's decision to block the payment in September 2023, and close his account, other than what he's been previously told. And I can see that Mr E has asked Virgin Money to explain itself on several occasions. But Virgin Money doesn't disclose to its customers what triggers a review of their accounts. And it's under no obligation to tell Mr E the reasons behind the account review and closure of his account, as much as he'd like to know. So, I can't say it's

done anything wrong by not giving Mr E this information. And it wouldn't be appropriate for me to require it to do so.

Mr E says Virgin Money didn't let him know it had decided to close his account. But Virgin Money has provided evidence of a screen shot which shows that Virgin Money sent Mr E a letter on 18 July 2023, explaining all of this. I can see from the screenshot that letter was correctly addressed. Mr E hasn't made us aware of any postal issues he was experiencing at the time. So, I think it's more likely than not that Mr E received the letter from Virgin Money.

Mr E has said that Virgin Money didn't close his account when it said it would and as a result, he was still being charged monthly account fees and interest which Virgin Money recorded as missed payments with credit reference agencies. Mr E says this impacted his credit score negatively and meant he was declined for an increase to credit card limit.

Virgin Money has accepted it didn't close Mr E's account when it should have done – in October 2023, after it had completed its review on the £4,000 payment. It has explained that this was due to a back log and resourcing issues it was dealing with in late 2023. It has apologised and provided information to this service to show that it has corrected the information it provided to credit reference agencies regarding the missed payments. And backdated when it closed Mr E's account to October 2023. So, I'm satisfied that Virgin Money has put Mr E back in the position he would have been in had Virgin Money done what it should have done at the time, when it decided to close Mr E's account.

Mr E has said that this isn't enough. And his credit score is still not back to where it was prior to Virgin Money closing his account. But individual credit reference agencies will have different formulas to calculate their credit scores. And these calculations will include many variables. When lenders evaluate applicants' credit files, they also have their own way of evaluating credit risk. This may include but is not limited to the credit score. Again, these calculations will weigh up many different variables.

I've not seen a copy of Mr E's full credit file, though I have seen screenshots of his credit score that he has provided. Having looked at this information I accept that Mr E's credit score has decreased. But based on the limited information I've seen I don't know how many credit card or loan accounts Mr E has. So, I can't be satisfied that Virgin Money not closing his account and recording missed payments between November 2023 and January 2024, is the root cause of Mr E's credit score dropping and his credit card provider declining his application to increase his credit limit. There could be many reasons why this has happened. So based on the limited information I've got from Mr E it wouldn't be fair to hold Virgin Money responsible for a drop in Mr E's credit score. I've also not seen any evidence that Mr E has suffered any financial loss as a result of Virgin Money's delay in closing his account.

In summary, I'm satisfied that Virgin Money has now corrected the information it provided to the credit reference agencies and taken adequate steps to remedy the situation – it has removed the missed payments and recorded that the account was closed in October 2023 – which is what Mr E wanted as a resolution to his complaint when he came to our service. So, I won't be asking Virgin Money to do anything more to resolve his complaint.

### **My final decision**

For the reasons I've explained, my final decision is that Clydesdale Bank Plc trading as Virgin Money, have done enough to put things right.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 19 November 2024.

Sharon Kerrison  
**Ombudsman**