

The complaint

Mr B complains Clydesdale Bank Plc trading as Virgin Money treated him unfairly when it closed his account.

What happened

Mr B held a Virgin Money current account and in late 2022 Virgin Money made the decision to close the account. In line with the account terms, Mr B was provided with 60 days' notice of the impending closure. However, during this period Mr B's access to his account was restricted. Mr B raised a complaint regarding the unclear information he received and poor service. Virgin Money reviewed Mr B's complaint and found the following:

- The specific reasons for the closure of Mr B's account don't need to be disclosed and it has the right to exit customers as stated in the account terms and conditions.
- The freeze on Mr B's account was temporarily lifted, but not readded. This resulted in direct debits continuing and Mr B's account went overdrawn. This left Mr B owing Virgin Money £4,000. As this money was transferred to an external account in Mr B's own name, it is not unreasonable for it to request this amount be repaid.
- Virgin Money will waive any fees and debit interest on the account which totals £211.39. It also agreed to amend Mr B's credit file to ensure any negative entries in relation to this issue are removed.
- Virgin Money accepted it hadn't provided the right level of service and it should've provided clearer information and its failure to respond to Mr B's emails or calls. It offered Mr B £175 in recognition of the distress and inconvenience caused.

Mr B remained unhappy and referred his complaint to our service. Two Investigator's reviewed Mr B's complaint. They upheld Mr B's complaint in part, explaining:

- Virgin Money's regulatory obligations meant it was required to monitor and review customer accounts and it didn't need to give Mr B notice of this review or a reason for the closure.
- It was reasonable for Virgin Money to ask for the funds that were transferred out to be returned as the account was in debit and the funds were still in Mr B's name.
- The offer to remove fees, debit interest and amend Mr B's credit file is fair.
- Mr B should've had full access to his account and received a better level of service. The offer of £175 compensation should be increased to £300 to reflect the impact on Mr B.

Virgin Money accepted the recommendations. Mr B rejected the findings, explaining he had been a long-standing customer of Virgin Money and the closure of his account was unfair. Mr B also explained the £300 compensation was inadequate.

As no agreement could be reached, the case has been referred to me – 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.

I can see Mr B feels very strongly about his complaint. That's clear from what he's said to us and to Virgin Money. However, based on the available evidence I think the recommendations made so far are fair. I'll explain why.

As a UK financial business, Virgin Money is strictly regulated and must take certain actions in order to meet its legal and regulatory obligations. It's also required to carry out ongoing monitoring of an existing business relationship. That sometimes means Virgin Money needs to restrict, or in some cases go as far as closing, customers' accounts.

Virgin Money has explained to this service why it reviewed and closed Mr B's account. Having carefully considered this, I'm satisfied Virgin Money took these actions in line with the obligations it must adhere to.

Before Virgin Money closes an account, it must do so in a way, which complies with the terms and conditions of the account. The terms and conditions of the account say that it can close the account by giving Mr B at least two months' notice. Having looked at the information given to me by Virgin Money, I'm satisfied it was entitled to close the account in the way that it did.

I know Mr B would like a detailed explanation as to why Virgin Money took these actions. But Virgin Money isn't under any obligation to provide this. I can see from the information provided that during his initial calls with Virgin Money the reason for closure was touched upon. However, Virgin Money hasn't provided Mr B with further details. I would add too that our rules allow us to receive evidence in confidence. We may treat evidence from regulated businesses' as confidential for a number of reasons – for example, if it contains security information, or commercially sensitive information. Some of the information Virgin Money has provided is information we consider should be kept confidential. So although I appreciate Mr B's strength of feeling, I don't think Virgin Money has acted unfairly in not sharing specific information with him.

Virgin Money restricted access to Mr B's account once it had made the closure decision. I can see Mr B contacted Virgin Money about accessing funds in his account and the block was lifted. Virgin Money didn't reapply this block so four direct debits left the account. These consisted of four £1,000 payments to an account in Mr B's name with another bank. The block of the account meant Mr B was unable to monitor account activity. Mr B's account was left overdrawn, and this had a negative impact on Mr B. It's clear that Virgin Money should've provided a better service at this point. Virgin Money has offered to remove fees, debit interest and ensure Mr B's credit file isn't adversely impacted by this issue once Mr B returns the funds.

Mr B says he will only return the funds once Virgin Money has amended his credit file and waived interest and fees. I understand Mr B has lost confidence with Virgin Money and doesn't feel like it will effectively resolve the issues he has experienced. I must highlight that Virgin Money is under a duty to accurately report information regarding overdrafts and outstanding debt. So, I think it is reasonable for Virgin Money to require these funds to be repaid before it can amend the credit file and ensure it is accurately reporting the status of Mr B's account.

Mr B says the compensation recommended fails to accurately reflect the distress and inconvenience caused to him. I do appreciate the closure of the account would've caused

him some difficulty as Mr B appears to have used this account regularly. The closure of the account would inevitably involve a level of inconvenience due to the alternative arrangements needed. As already acknowledged Virgin Money should've handled the closure better, by providing clear information and allowing Mr B to have continued access to the account within the notice period.

Reaching an award for distress and inconvenience is seldom straightforward. The issues involved are subjective by their very nature and the impact on the consumer can be difficult to determine. I can see Mr B feels the £300 recommended is inadequate, but our awards are not intended to be punitive for businesses and are not comparable to the salaries and bonuses received by those who run financial institutions. Our awards for distress and inconvenience are to recognise the impact on a consumer where there have been shortcomings. In Mr B's case I'm satisfied the £300 compensation award recognises the stress and inconvenience caused and I don't consider it appropriate to increase this any further.

I know this will not be the outcome Mr B was hoping for, but I am satisfied Virgin Money acted reasonably in closing his account. I know Mr B will be disappointed with the decision I've reached, but I hope it provides some clarity around why I won't be asking Virgin Money to take further action.

Putting things right

Once Mr B has repaid the outstanding balance on his account Clydesdale Bank Plc trading as Virgin Money should:

- Remove all fees and debit interest applied to the account as a result of the direct debits leaving the account during the notice period for closure.
- Amend Mr B's credit file to ensure any negative entries relating to the overdraft are removed.
- Pay Mr B £300 for the poor handling of his account closure.

My final decision

My final decision is that I uphold this complaint in part.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 29 August 2024.

Chandni Green
Ombudsman