

## **The complaint**

Mr L is being represented by his partner. He's complaining about Virgin Money Personal Financial Service Ltd trading as Virgin Money because interest was incorrectly charged on his credit card account.

## **What happened**

Mr L opened a credit card account with Virgin Money in June 2022. He benefitted from a promotional rate that meant no interest would be charged on balances transferred from other cards for 28 months, money transfers for 12 months and purchases for three months. Handling fees would apply to balance transfers (1%) and money transfers (4%) during this period.

Once the account was opened, Mr L transferred a balance of £4,409.37 from another card and a direct debit payment was set up for £150 per month. When Virgin Money tried to collect the direct debit on 30 August 2022, it was returned unpaid. In line with the account terms, which say any promotional rate will be removed if a payment is missed, Virgin Money began to apply interest to the account.

After Mr L contacted Virgin Money in October 2022, it agreed to reinstate the promotional offer and all interest that had already been applied was refunded to the account.

Unfortunately, the promotional offer wasn't re-applied to the account as Virgin Money had promised and interest began accruing again until Mr L realised what was happening and made a complaint.

In response, Virgin Money apologized for its error and refunded interest totalling £908.48 to the account. It also waived all interest for the months of March and April 2024, and reduced the balance by a further £100 in recognition of its error.

Our investigator recommended the complaint be upheld. While he was satisfied Virgin Money had refunded the interest that shouldn't have been paid correctly, he felt it should pay additional compensation for the distress and inconvenience caused by its error. He recommended a further £100 was paid in addition to the £100 Virgin Money had previously credited to the account.

Virgin Money accepted the investigator's assessment. Mr L didn't. His partner believes the account balance would be considerably lower if the interest had never been charged in the first place and that it should be reduced accordingly.

The complaint has now been referred to me for review.

## **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've reached the same overall conclusions as the investigator, and for broadly the same reasons. I haven't necessarily commented on every single point raised but concentrated instead on the issues I believe are central to the outcome of the complaint. This is consistent with our established role as an informal alternative to the courts. In considering this complaint I've had regard to the relevant law and regulations; any regulator's rules, guidance and standards, codes of practice, and what I consider was good industry practice at the time.

Virgin Money has provided copies of statements from the account opening and I've reviewed these carefully. After the initial problems were resolved in October 2022, the balance showing on the November 2022 statement was £3,988.22. This is equal to:

- £4,409.37 - balance transferred from other cards, plus
- £44.09 – 1% handling fee, less
- £450 – three monthly payments of £150 made by Mr L, less
- £15.24 – additional payment made by Mr L by phone in October 2022.

At this point, I'm satisfied the balance was reduced by exactly the amount Mr L had paid and that the account was working in the way he expected.

Unfortunately, Virgin Money began applying interest again after this because it failed to reinstate the promotional offer as promised. I'm satisfied the correct way to put this right and return the account to the correct balance is to refund all interest that shouldn't have been paid. But contrary to what Mr L appears to believe, that doesn't mean the balance would now be £3,988.22 less all payments he's made since November 2022.

A review of account statements from November 2022 to February 2024 shows Mr L used the card for purchases totalling £2,201.08 with associated fees for cash advances and money transfers totalling £78.00. These purchases increased the account balance as I'd expect and it looks like Mr L's partner probably didn't take these into account when calculating what she thought the balance should be. It's also relevant to note that the interest-free promotion only applied to purchases for three months. All of the purchases on the card were made after the account had been held for three months and would also have been expected to accrue interest.

Over the same period, Mr L made payments totalling £2,529.26. This is not much more than he spent on the card and, when interest on those purchases is also taken into account, I wouldn't have expected the balance to have reduced significantly.

This notwithstanding, because the promotional offer wasn't reinstated, interest was incorrectly applied to money transfers up to June 2023 (when the 12-month interest-free period for this type of transaction ended) and the balance transfer, for which the interest-free period is not due to end until October 2024. Between November 2022 and February 2024, the account statements show interest totalling £1,099.12 was applied to the account. Virgin Money has confirmed £908.48 of this has been refunded to reduce the balance. The difference is interest that was correctly charged on money transfers (from June 2023) and the purchases outlined above.

Based on the evidence available to me, I'm satisfied Virgin Money has taken appropriate steps to restore the account to the position it would now be in if the promotional offer had been correctly reinstated in October 2022. In fact, by waiving all interest due in March and April this year – a period when interest was due on money transfers and purchases – the account is actually now in a slightly better position.

Going forward, Mr L should be aware that the interest-free period for the balance transfers ends in October 2024. After that, interest will be added to this as well as the purchases and money transfers that are already correctly accruing interest – aside from in March and April this year when this was waived in response to this complaint.

It's for these reasons that I'm not requiring Virgin Money to take further steps to reduce the account balance. I realise this outcome will be disappointing for Mr L, but I'm satisfied it's fair and reasonable in the circumstances and I hope the additional explanation provided is helpful.

### **Putting things right**

The principal aim of any award I make is to return Mr L to the position he'd now be in but for Virgin Money's errors and I'm satisfied this has been achieved as a result of the actions it's already taken.

This notwithstanding, I do believe the problems encountered would have caused Mr L a degree of unnecessary distress and inconvenience and I think he should be compensated for that. The amount to award for a consumer's distress and inconvenience can be difficult to assess as the same issues can impact different customers in different ways. But on balance, I think the £200 recommended by the investigator is fair in the circumstances. This means Virgin Money would need to pay a further £100 in addition to the £100 it credited to the account previously.

I'm satisfied this represents a fair and reasonable settlement of this complaint.

### **My final decision**

My final decision is that I uphold this complaint. Subject to his acceptance, Virgin Money Personal Financial Service Ltd trading as Virgin Money should now put things right as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 15 October 2024.

James Biles  
**Ombudsman**