

The complaint

Miss W complains that Clydesdale Bank Plc trading as Virgin Money (VM) didn't do more to help her when she struggled with the interest charges being applied to her credit card account.

What happened

In November 2021 Miss W opened a credit card account with VM, with a credit limit of £2,600. The credit card was opened under a promotional offer, for purchases 0% interest for three months and for balance transfers a 0% interest offer until March 2023. The account accrued interest for purchases early in 2022. And after 10 March 2023 the transferred balance of around £1,600 also began to accrue interest. Miss W said when this happened, she saw the payments she was making weren't reducing her debt to the same level, as it was mainly paying the interest each month, which she said felt was "*dead*" money. In May 2023 she spoke to VM about this and agreed a payment plan for nine months which meant she'd £0 to pay for six months and then 1% for the remaining three months. But Miss W said that while on the payment plan VM had recorded late payment and arrears on her credit report, which she didn't think was fair, as it had been agreed she didn't have to make any payments for six months. She complained to VM.

VM said they'd agreed to a short-term forbearance plan with Miss W. And both in the call she'd with them and a confirmation letter they'd explained the impact of the arrangement on her credit report.

Miss W wasn't happy with VM's response and referred her complaint to us.

Our investigator said VM hadn't acted unfairly or unreasonably in their actions with Miss W as they'd been clear about the arrangement she agreed to and the impact this would have on her credit report.

Miss W didn't agree she said VM hadn't helped her as they said they would, and she asked for an ombudsman 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.

I can understand Miss W's frustration. And I empathise with the situation she finds herself in. But for me to ask VM to do something differently I must find that they have acted unfairly and unreasonably and having looked at the evidence provided I don't think they have. I'll explain why.

I can see that Miss W had tried to prevent her account falling behind in her payments by proactively seeking help from VM before it reached this position. So, I've looked at how VM responded to Miss W's circumstances.

Miss W opened her credit card account with VM in November 2021 with a promotional rate of 0% interest on balance transfers until 10 March 2023. And a 0% interest charge on purchases until 08 February 2022. With the inception of the credit card account Miss W transferred a balance of £1,568.69 which accrued a balance transfer fee of £47.06, in total £1,615.75.

From her March 2022 statement the account started to be charged interest for purchases made by Miss W as the promotional rate for purchases had expired. VM's terms and conditions say:

"Please note, your promotional interest rates will continue until your first statement produced on or after the date shown in table above. We will then charge the current standard interest rate that applies to that transaction type."

And explains how any payments are allocated to any outstanding balances. This being:

Firstly to your Minimum Payment in this order. > any default charges, interest, annual card fee, and non-instalment plan balances, with the highest interest rate first, before repaying those on lower interest rates, and then,.....your remaining balances that appear on your statement with the highest interest rate first, before repaying those on lower interest rate. > Finally, new transactions that you have made, but are not yet shown on a statement, with the highest interest rate first, before repaying those on lower interest rates. When we are allocating your payments in the above order, we will take the following into account:> Where promotional rates and/or instalment plans end at the same time, we will pay off the balances in the following order: Money Transfers, Balance Transfers (including instalment plans for Balance Transfers), Card Purchases (including instalment plans for Card Purchases).

So, any payments she made would first be allocated to any interest, and then any interest accruing balances. I can see from Miss W's credit card statements that the interest on her purchases gradually rose to £16. And that Miss W paid the minimum payment on time each month.

From Miss W's April 2023 statement I can see the promotional rate had expired on her balance transfer and that the balance of £1,622.99 would now accrue interest. And for this statement the interest applied had increased to around £55. And her minimum repayment had increased to around £80 a month.

Miss W for April 2023 had made her minimum payment of £39.08, but the interest charged had been £55.79 reflective of her balance transfer promotional rate ending. In May 2023 Miss W had made her minimum payment of £76.80 with the interest charged being £54.74 which meant her outstanding balances would have been reduced by £22.06. It was at this point, in May 2023 that Miss W spoke to VM as she wasn't happy that her debt wasn't reducing to the same level as her repayments because of the interest being applied.

I've listened to the call. And during this call VM considered Miss W's financial situation, although she wasn't in arrears neither had she missed any repayments she said she'd recently fallen behind with her rent. VM told Miss W about debt counselling services, but Miss W said didn't want to talk to them. So VM considered Miss W's income and outgoings after which it was seen that she didn't have any disposable income available to her at the end of each month. Miss W said she was confident her financial situation would improve over the next six months and that she just needed *"to get back on her feet"*.

VM said they could consider a short-term forbearance plan for nine months, with the first six months meaning Miss W didn't have to pay anything but for the final three months she'd

need to pay 1% of her outstanding balance. VM told Miss W that the arrangement would show on her credit file. And that as she would be paying less than the minimum payments this would also show as increasing arrears. Miss W was also told the forbearance plan would suppress any interest and fees being applied. And that she wouldn't be able to use the card.

During the call Miss W specifically asked what the impact would be on her credit file, and she was again told it would show as an arrangement. And that she could check with the credit reference agencies. VM told Miss W she'd time before her next payment was due if she wanted to check further into options and again was signposted to debt counselling services. But Miss W said "No, just do it". At this point VM sought her permission to cancel the active direct debit she had, and said that a confirmation letter would be sent. VM also told Miss W that regulatory letters would still be issued such as "Notice of Arrears" as she would be paying less than 1%. VM reiterated the plan that Miss W agreed to and that if she didn't meet the 1% after the six months the account could proceed to default. And that once the plan had ended she'd need to make her minimum payments. Miss W agreed to the cancellation of her direct debit and to the setting up of the forbearance plan.

VM has shown a confirmation letter was sent dated 20 May 2023 which confirmed VM had set up a six-month payment plan with £0 to pay. Which also said:

You can check your statement for when your next payment is due and ways to pay. Your statement may show a different payment amount to what's been agreed in this letter. If you're unable to make the minimum payment shown on your statement, we'll need to let Credit Reference Agencies know that your account is in arrears. Whilst the arrears may increase, this will not show as a default on your credit file while you remain on this plan. Your ability to get credit in the future may be affected"

So, I'm satisfied VM was clear about the details of Miss W's payment arrangement. And the impact the short-term forbearance plan would have on Miss W's credit report. While Miss W didn't have to make the minimum payment on her credit card account for six months this didn't mean her minimum payment weren't due and so when this wasn't paid, arrears started to accrue. From both the call and letter I'm satisfied it was explained that as Miss W wasn't paying at least 1% of the outstanding balance her credit card account would fall into arrears.

VM in setting up the forbearance plan gave Miss W six months on £0 payment to help her in her financial difficulties. I can see from Miss W's statements that VM suppressed any interest and charges as they said they would. And her credit card statements made clear the outstanding balance and the minimum payment that Miss W could make. Miss W asked in the call whether she could still manually make payments towards her account during the six-month period, and she was told she could. So, I'm satisfied VM acted fairly and reasonably in their actions when Miss W asked for help with her credit card account. And that she was made aware of the impact the arrangement would have on her credit file.

Unfortunately, at the end of the six month's I can't see that Miss W made any payments towards her outstanding balance. And VM defaulted the account in July 2024.

The relevant guidance for a lender when a consumer tells them they are struggling to meet their financial commitments is the Consumer Credit Sourcebook (CONC) chapter 7, which says lenders should have clear effective and appropriate arrears policies and how they should treat consumers who are in default or arrears. It says a lender should treat a consumer with due consideration and forbearance. The guidance gives examples of what a lender can do such as suspending, reducing, waiving or cancelling any further interest or charges. And I can see VM hasn't applied any interest or charges to Miss W's credit card account since she entered into the forbearance plan nor after the plan had ended.

The guidance also says a lender should inform a consumer about debt advice bodies. And I can see VM did this in the call they had with Miss W, as well as in subsequent correspondence that they sent to her. So I don't think VM acted unfairly or unreasonably in their actions with Miss W.

I've also considered whether VM acted unfairly or unreasonably in some other way given what Miss W has complained about, including whether their relationship with her might have been viewed as unfair by a court under s.140A Consumer Credit Act 1974. But for the reasons I've already given, I don't think VM treated her unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 28 November 2024.

Anne Scarr
Ombudsman