

The complaint

Mr C complains that Clydesdale Bank Plc trading as Virgin Money allowed a payment to be taken following the closure of his account.

What happened

Mr C held a credit card account with Virgin Money.

In May 2024 Mr C went abroad and used his credit card to pay for car hire. Mr C also pre-authorized a deposit against any damage to the car.

On returning from holiday Mr C contacted Virgin Money and asked to cancel the card and close the account. Virgin Money advised Mr C that he would need to pay the balance on the account before it could be closed.

Mr C paid the balance. On 31 May 2024 Mr C spoke to an agent at Virgin Money who confirmed that the account was closed. Mr C also received an email confirming that the account had been closed.

A few days later Mr C checked his app and noticed that the car hire company had claimed a payment on the card on 3 June 2024. He contacted Virgin Money and was advised to raise a disputed transaction claim.

Mr C complained to Virgin Money. He said they shouldn't have let the payment be taken after the account had been closed.

Virgin Money didn't uphold the complaint. It said that when Mr C entered into the agreement with the car hire company, he had pre-authorized a payment from his credit card. Virgin Money said that irrespective of the closure of the account, the pre-authorized payment could only be cancelled by the merchant at Mr C's request. Virgin Money acknowledged that Mr C had been advised by the agent that no payments could be taken once the account was closed but said that Mr C had not specified that he had a pre-authorized transaction on the account that he was aware would be taken. Virgin Money said it hadn't made an error and that it wasn't able to uphold the complaint.

Mr C remained unhappy and brought his complaint to this service.

Our investigator didn't uphold the complaint. He said that by entering into a pre-authorized contract, Mr C had given the car hire company permission to take a future payment from the account.

Mr C didn't agree. He said he'd received confirmation that the account was closed on 31 May 2024 and said he didn't understand how, if he was no longer able to use the account after it had been closed, a third party could. Mr C said that any request for payment should bounce back once the account was closed, as there were no longer available funds/credit.

Because Mr C didn't agree I've been asked to review the complaint.

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 know it will disappoint Mr C, but I agree with the investigators opinion. I'll explain why.

I've read and considered the whole file, but I'll concentrate my comments on what I think is relevant. If I don't comment on any specific point its not because I've failed to take it on board and think about it but because I don't think I need to comment in order to reach what I think is the right outcome.

It's not in dispute that Mr C's account was closed on 31 May 2024 in response to his request. Nor is it in dispute that Mr C was advised by an agent that once the account was closed, no payments would be taken.

Virgin Money has said that if Mr C had told the agent that he had authorised a pre-payment, the agent would've advised him that the payment may still be taken. I've reviewed the calls and online chat transcripts and I can't see that Mr C told Virgin Money that he'd authorised a pre-payment. I can't fairly say that Virgin Money provided Mr C with incorrect advice, because it hadn't been made aware of all the relevant circumstances.

Mr C has asked how it was possible for a third party to take funds from the account once the account was closed. The answer to this lies in the nature of an authorised pre-payment. When Mr C entered into the agreement with the car hire company on 22 May 2024, he used his card for the deposit and pre- authorised further payments. This meant that the car hire company placed a temporary hold on Mr C's credit card for the transaction, which ensured that Mr C would have sufficient funds to cover the requested amount without immediately debiting his account.

I understand why Mr C thought that by closing the account it wouldn't be possible for any payments to be taken. However, this isn't the case with an authorised pre- payment. The only way to stop an authorised pre- payment is by agreement with the merchant who holds the authorisation – in this case the car hire company.

I've reviewed the terms and conditions of Mr C's account. These state (at paragraph 6.7) that it isn't possible to stop a transaction which has been pre- authorised. This applies whether the account is closed or not.

Based on everything I've seen, I'm unable to say that Virgin Money has made an error here.

For the reasons I've explained above, I'm unable to uphold the complaint.

My final decision

My final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 9 January 2025.

Emma Davy
Ombudsman