

The complaint

Mr B complains about how Clydesdale Bank Plc trading as Virgin Money (Virgin) reported a default to his credit file.

What happened

Mr B had a credit card from Virgin. In 2016, he fell into financial difficulty and entered a Debt Management Plan (DMP) with Stepchange to deal with his creditors and make payments to them on his behalf.

Virgin agreed to accept reduced payments and these were made to Virgin via Stepchange. A total of £3,306.13 was paid to Virgin by Stepchange between October 2016 and July 2020.

In August 2020, the debt was transferred to a debt collection agency (which I will call 'DCA X') and Stepchange paid them a further £1,970.94 between August 2020 and August 2022 – when the debt was satisfied and the DMP completed.

The payments to Virgin were agreed due to the financial difficulty Mr B was in, but arrears built up – as the contractual minimum payments weren't being made.

Virgin wrote to Mr B as follows:

January 2020: Notice of Sums in Arrears.

March 2020: Notice of Sums in Arrears.

20 March 2020: Notice of Default – the arrears of £411.73 were to be paid by 17 April 2020.

20 April 2020: Notice of Default – the arrears of £428.58 were to be paid by 18 May 2020.

20 May 2020: Registration of Default – balance was £2,043.

A default is shown on Mr B's credit file in August 2020 – showed as being added by DCA X. His credit file shows a default each month from then until it was marked 'satisfied' in September 2020.

Mr B complained. He said his credit file was marked with a default by DCA X three years later – in October 2023. He says this should've happened in 2020, and therefore remain on his credit file for six years since then. He says no default was added to his credit file in 2020 as it should have.

He showed us:

- His credit file dated January 2022: this showed no entries from Virgin or DCA X.
- His credit file dated January 2024: this showed the default added by DCA X in August 2020; default dated 20 May 2020; and debt satisfied September 2022.

Because his credit file was later marked, he says this is hindering his efforts to get a mortgage.

He says the default should be added with effect from 2020. He further says DCA X should remove the default added in 2023.

Virgin said Mr B entered a hardship plan after he completed an income and expenditure form in February 2020. But as the payments were at a reduced level, he fell into arrears and a Notice of Default was issued on 20 April 2020. The debt was terminated in May 2020, and a default registered. It was then passed to DCA X to take responsibility for the recovery of the debt. Virgin said they were sorry that Mr B had only been able to see the default on his credit file from October 2023 and not from May 2020.

Mr B brought his complaint to us. Our investigator didn't uphold it. He said:

- Mr B's complaint referred to us was about Virgin and we can therefore only look at the actions of Virgin – not DCA X.
- It was reasonable that Virgin defaulted his account in 2020. The payments from Stepchange weren't enough to stop the account from defaulting.
- The default should have been reported to the credit file by DCA X, to who Virgin sold the debt in May 2020. So, Mr B should complain to DCA X.
- But if the default wasn't on his credit file between 2020 and 2023, that was to his advantage at that time.

Mr B didn't accept his and asked that an ombudsman look at his 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.

As I see it, there are two aspects to Mr B's complaint:

1. Whether his account was fairly defaulted in 2020.
2. Whether Virgin (or DCA X) didn't add the default to his credit file in May 2020 and the effects of it being added later – in October 2023.

The important piece of guidance here which I referred to in making my decision is the guidance for dealing with defaults is laid down by the Information Commissioner's Office (ICO). This says when a consumer is at least three months behind with their payments then a default may be registered. And it would expect a default to be registered by the time the consumer is six months behind with their payments. It is the business' responsibility to put an entry on the credit file. This cannot be taken off unless it is an error.

I looked at Virgin's processes and letters that were sent to Mr B, and I'm satisfied that the firm clearly set out the arrears that were building up; and what he needed to do to put things right. When Virgin sent Mr B the Notices of Default in March 2020 and April 2020 – the firm advised Mr B to bring the account up to date and gave a deadline. Unfortunately, he didn't do that.

Even though Mr B was making regular payments via Stepchange, those weren't enough to meet the contractual minimum payments needed. Due to this, and to some missed payments, Virgin calculated that by the time of the second Notice of Default in April 2020, Mr B was £428.58 in arrears – accumulated over a period. Mr B's minimum monthly payments

over time varied between £51 and £81 (depending on the balance). And so – he was around five months in arrears.

As I said, I can only look at what Virgin did in this complaint, not whether Stepchange didn't pass the payments onto Virgin, or whether they were transferred late.

So, based on the figures Virgin had, the firm were entitled to default Mr B's account – which they did (in May 2020) and then transferred to it to DCA X to collect the payments.

It isn't clear what then happened. In Virgin's final response to Mr B's complaint, they imply that there wasn't anything added to Mr B's credit file at the time of the default file as there should have been. And the default was only added in October 2023. This is consistent with what Mr B has said – so for the purposes of this complaint, I assume that is the case, and so either Virgin or DCA X were at fault. This is confirmed by:

- I can see from Mr B's credit file dated January 2022: there were no entries from either Virgin or DCA X.
- And I can further see from his credit file dated January 2024: this showed the default added by DCA X in August 2020; default dated 20 May 2020; and debt satisfied September 2022 (i.e. when the DMP was completed).

Therefore, it is fair to say that between the default date in May 2020 and (as Mr B says) October 2023, the default didn't appear on Mr B's credit file. And as firms must record accurate information on a customer's credit file, either Virgin or DCA X is at fault.

Virgin sold the debt to DCA X in May 2020. In all honesty, I have seen defaults in these circumstances registered both ways – either by the firm to who the debt is owed; and by the DCA.

But which ever firm was at fault (and as I say I can only consider the actions of Virgin here) - I must consider the impact on Mr B. He says he hadn't been able to get credit in the meantime and that's the main impact.

But – if the default was not in fact added in May 2020 – then that would have been an advantage to Mr B. As any lender wouldn't have seen the default on his records between that time and October 2023.

As it is, Mr B's credit file now shows the correct information – that his account was defaulted in May 2020; the default was added to the credit file in August 2020; and the debt was satisfied (when the DMP was completed) in September 2022.

And this will be reported for six years from the original default to May 2026 – so the time period is running from the correct date.

Of course, it is likely that Mr B's applications for credit (if he made any) would have been affected by other defaults showing on his credit file. On his credit file dated January 2022 – there were five other lenders showing defaults.

Therefore, in summary my decision is:

- Virgin reasonably defaulted Mr B's account.
- And if Mr B's credit file was not marked with the default until 2023, that wasn't detrimental to him.
- His credit file now shows the correct information.

And so while I accept that Mr B feels strongly about his complaint and what happened, I am not asking Virgin to do anymore here.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 20 February 2025.

Martin Lord
Ombudsman