

The complaint

Mrs T complains Clydesdale Bank Plc trading as Virgin Money unfairly closed her account and didn't allow her to clear her overdraft.

What happened

The facts of the complaint are well known to both parties, so I will only provide a summary of the key points.

Mrs T held a Clydesdale current account, which had an arranged overdraft facility of £400. On 21 November 2022 Mrs T exceeded this overdraft. Clydesdale sent Mrs T notification of this in letters dated 20 December 2022 and 12 January 2023. As no response or payment was received it initiated the account closure process on 30 March 2023.

On 4 April 2023 Mrs T made a payment towards the account of £102.62 to bring the balance back within the arranged overdraft limit. However, as Clydesdale had begun the account closure process, this continued. Mrs T's account closed on 6 April 2023.

Mrs T queried the closure with Clydesdale, and it confirmed the account would close. As Mrs T had an outstanding overdraft amount there was correspondence between both Mrs T and Clydesdale about the repayment of this. Mrs T set up a repayment plan in June 2023, however as a payment wasn't received as planned this plan was set aside.

Due to the ongoing issues Mrs T faced she raised a complaint about the closure of her account and Clydesdale's handling of her outstanding debt. Mrs T said she hadn't been treated fairly as the sudden closure left her in a difficult position as she now has no UK account. In particular Mrs T said the communication with her regarding the repayment arrangements wasn't clear.

Clydesdale reviewed Mrs T's concerns and issued a final response letter on 29 June 2023. Within this it explained that it had closed Mrs T's account in line with the terms of the account. It also set out the communication it sent to Mrs T and that it had taken reasonable steps to inform her of the pending closure and any action she needed to take should she wish for the account to remain open. Clydesdale also explained the payment plan that was set up failed as the system in use didn't accept Mrs T's overseas address. It said Mrs T was given the alternative of making the payment via IBAN or Swift.

With regards to the service Mrs T received Clydesdale accepted that Mrs T received poor service on occasions. Mrs T was wrongly informed by staff members that her account could be reopened, and she could make a payment in. Mrs T also was passed between departments and had to spend excessive amounts of time on the phone. Clydesdale offered Mrs T £150 in recognition for its failings in this area.

Mrs T remained unhappy and referred her complaint to this service. An Investigator reviewed the complaint and in summary, made the following findings:

- Clydesdale's reasons for closing the account are fair and no error has been made.

- The account was closed in line with the relevant terms and conditions.
- Clydesdale should've been more pro-active when the repayment plan for the overdraft failed.
- The service provided following the account closure was poor and Mrs T endured long wait times and received conflicting information.
- The £150 offered by Clydesdale in recognition of these issues was fair.

Mrs T disagreed with the Investigator's review and maintained Clydesdale had treated her unfairly. Mrs T says the impact was significant and the compensation fails to reflect the time and stress the matter caused.

As no agreement could be reached, the complaint was referred to 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.

Firstly, I am sorry to see Mrs T has had cause for complaint and the impact the account closure has had on her. Having looked at the complaint fully, my review of the evidence has led me to the same overall conclusions as the Investigator previously set out and for much the same reasons. I will explain why.

Notification of closure and closure of Mrs T's account

It's generally for banks to decide whether or not they want to provide, or to continue to provide, banking facilities to any particular customer. Unless there's a very good reason to do so, this service won't usually say that a bank must keep a customer or require it to compensate a customer who has had their account closed. At times, following a review, banks sometimes choose to end their relationship with customers. This can be due to a number of reasons and a bank isn't obliged to give a reason to the customer.

In Mrs T's case Clydesdale has explained its approach is to close an account if it is within its unarranged overdraft for a specific period, and no repayments have been made. Clydesdale is entitled to have its own approach to accounts in this position, and this approach will be influenced by its regulatory duties on consumer debt. Essentially to prevent a customer incurring further charges or increased debt the account will be closed. Mrs T says the account wasn't inactive – she had payments coming in. However, as the account was in unarranged overdraft this element needed to be cleared and during the time in question. I've also considered Mrs T's statements and I can't see that there was any activity - such as incoming payments - which would've paused the closure process. So overall, I consider the pro-active action taken by Clydesdale to be reasonable and in keeping with its regulatory obligations.

Clydesdale says it wrote to Mrs T prior to the account closure to explain the situation. Mrs T who lives abroad says these letters weren't received. I understand Mrs T's strength of feeling about this issue. I can't say for certain whether Mrs T received these letters, but looking at the evidence Clydesdale has presented I am satisfied they were sent to the correct address it held for Mrs T. I don't think Clydesdale can fairly be held responsible for the non-receipt of these letters.

Although Mrs T didn't receive these letters, I can see they provided Mrs T with notice of the closure and asked her to get in touch if she wanted the account to remain open. Mrs T says Clydesdale should've tried to contact her using other channels, but I don't think this is a

reasonable expectation. Clydesdale will have many accounts that it will be reviewing, and I think its decision to write to Mrs T only was appropriate.

Based on the evidence I've seen I think Clydesdale fairly exercised its right to close Mrs T's account in light of the account terms and its usage. It took reasonable steps to communicate with Mrs T and outline her options.

Clearing Mrs T's overdraft balance and customer service issues

Once Mrs T's account closed the remaining overdraft balance needed to be clear. It's at this point that Mrs T encountered various customer service issues. An overdraft facility is a discretionary credit facility, and it is generally repayable on demand, but in Mrs T's case a repayment plan was agreed. This plan was set up in June 2023, however as detailed above the plan failed due to payment issues. It's not in dispute that Clydesdale should've done more to support Mrs T at this stage. Mrs T hadn't received the account closure notifications, and the correspondence between Mrs T and Clydesdale up to this point demonstrated her concerns over the situation.

As part of its submissions to this service Clydesdale has provided copies of calls Mrs T had with its staff members. Mrs T was incorrectly informed her account could be reopened and I agree Mrs T spent a great deal of time on the phone trying to obtain clear answers. Mrs T says she should've been informed of the impending closure in calls she made to Clydesdale prior to the closure in March 2023. Clydesdale agrees that clearer information should've been provided to Mrs T during her calls. Overall, it has offered Mrs T £150 for the poor service she received and the impact this had on her. Mrs T doesn't feel this amount recognises the time she spent on the phone trying to resolve matters. Mrs T hasn't said what figure she considers appropriate.

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. Our awards are not intended to be punitive for businesses and their fundamental aim is to recognise the impact on a consumer where there have been shortcomings. Having considered the timeline of events, I think the compensation offer of £150 is fair.

I say this because the detriment caused to Mrs T primarily consists of the time she has had to spend dealing with the account post closure. I don't underestimate the closure would've caused Mrs T some worry. But the closure of the account, which I consider fair, would always result in a certain level of inconvenience due to the need for alternative arrangements.

In Mrs T case the key factor is that the multiple issues she faced clearing her overdraft post closure. But as explained above, I think Clydesdale has correctly identified its shortcomings and provided an explanation about what happened and why. This alongside the offer of £150 in distress and inconvenience is what I consider a fair resolution to the complaint, and I wouldn't expect Clydesdale to take further action. If Mrs T wishes to accept this offer Clydesdale has asked Mrs T provide UK account details for the payment to be made.

I'm sorry this isn't the outcome Mrs T hoped for and I appreciate this will be very disappointing for Mrs T as she clearly feels strongly about the matter. I do hope my final decision provides some clarity around why I won't be asking Clydesdale to take further steps than it has already outlined.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs T to accept or reject my decision before 13 March 2025.

Chandni Green
Ombudsman