

The complaint

Mr S complains that Clydesdale Bank Plc trading as Virgin Money has caused him undue inconvenience and to incur a financial loss when it blocked a transaction and restricted his account.

What happened

The background to this complaint is well known to both parties, so I have provided a summary of the key events here.

In April 2024, Mr S tried to make a payment of £1,000 from his account. He explains that he'd made similar payments to the same company in the past and this wasn't out of character activity for his account so he can't understand why Virgin Money blocked the payment. When Mr S tried to log into his account online, his access was blocked. Mr S explains that he was abroad at the time and did try to phone the bank but had to terminate the call before it was answered as it was costing him money.

Mr S contacted Virgin Money when he returned to the UK in May 2024. The bank said it had sent a letter to Mr S's home address. As Mr S was not due to return home, Virgin Money said that he could either attend a branch with his identification documents, or he could submit a copy of his passport along with a photograph of him holding it. Mr S felt this was too much inconvenience and aggravation from a situation that was not of his making, so decided he would contact the bank again after he'd returned home. The restrictions remained in place until June 2024.

Unhappy with how the situation had unfolded, Mr S made a complaint. In its final response letter, Virgin Money said it had followed the correct fraud prevention process. It offered £20 compensation to cover the cost of Mr S's call from abroad and £50 compensation for not acknowledging correspondence that Mr S had emailed to the bank on 24 April 2024.

Mr S referred his complaint to this service. He said Virgin Money should have called him at the time the transaction flagged up instead of sending a letter. He said there was no acceptable reason for blocking his account, leaving him without access to financial resources for approximately eight weeks.

Our Investigator looked into the situation. He concluded Virgin Money had acted appropriately when it queried the payment Mr S was trying to make. He recognised it was unfortunate this had happened when Mr S was away from home but noted that similar transactions Mr S had made in the past had also been queried, so suggested he could have anticipated the possibility of this transaction being flagged too. He thought Virgin Money had offered alternative options to help Mr S restore access to his account.

Mr S didn't agree and felt Virgin Money's action was unwarranted. He highlighted that the Investigator had not accepted his suggestion that Virgin Money should update its processes to make contact using a quicker method of communication than post in the future. He suggested that we should insist that Virgin Money must utilise modern technology to resolve possible problems speedily and minimize inconvenience caused to customers. He outlined

the steps he'd already taken to verify his identity and the legitimacy of the payment instruction as part of setting it up. Mr S said the Financial Ombudsman Service should insist that Virgin Money devotes more resources to dealing with customer telephone calls, especially for overseas calls and highlighted the practical problems he'd faced paying his bills without access to his account. He was concerned that this situation could happen again in the future.

As no agreement could be reached, the complaint has been referred to me.

My further investigation

When the complaint was referred to me, I contacted both parties.

I asked Virgin Money to clarify exactly whether it had restricted the transaction Mr S wanted to make or his entire account holdings and profile as I wanted to fully understand the sequence of events and what options were open to Mr S at any given time. I asked the bank about its call waiting times and whether the issues could have been resolved over the phone if Mr S had been able to speak to someone. I also requested clarification around the letter that had been sent to Mr S's address and whether the matter could have been resolved without that correspondence.

Virgin Money responded and explained that it had initially placed the transaction on hold, but then placed a full lock preventing mobile, online and telephone banking access until the fraud team had been able to speak to Mr S. The bank provided information about its security systems to me in confidence and explained why it considered it was necessary for Mr S to verify himself.

I contacted Mr S and outlined that the bank's reason for being concerned would have been difficult to alleviate over the phone. I explained that in the circumstances, it was not unreasonable for the bank to require additional verification before it would remove the restrictions it had placed. I felt the bank's actions were proportionate to the potential risk of harm it had identified. I outlined that Virgin Money did not have to disclose the precise reasons why it applied restrictions to Mr S in real time because to do so could tip off a fraudster as to what it is the bank is concerned about and place the integrity of the account at risk.

I recognised the timing of this happening was particularly unfortunate for Mr S as he was not at home for some time. I was also mindful that the bank's concerns about what might have been happening were fortunately unfounded and so from his perspective, this block had only caused him inconvenience as opposed to protecting him. I explained that I can only conclude that the bank should reimburse consequential losses such as a loss of opportunity to open a specific bond at a specific interest rate if it had made a mistake. Here, I wasn't persuaded the bank had done anything wrong by applying the restrictions in the way that it did. This meant I would not be in a position to uphold Mr S's complaint.

Mr S didn't agree. He pointed out that he'd paid the same payee six times previously without query and that the steps he'd taken, such as entering an authorisation code from the security device in his possession, should have been sufficient proof that he was genuinely requesting the payment. He highlighted this payment was not unusual activity for his account. Mr S explained that he is an experienced investor and doesn't need the bank's interventions to protect him from fraud. Mr S said the matter could have been resolved if Virgin Money had called him. He was disappointed that I was not minded to criticise Virgin Money for sending a letter to a home address when it is not unusual for people to be away from home for extended periods. He felt it was an archaic procedure to use a letter in this day and age and suggested that Virgin Money should be required to make their anti-fraud processes more

customer friendly. Mr S also highlighted that I'd not referenced the hardship, impact and stress the ongoing restrictions had caused him.

As both parties have had the opportunity to make their case, I must go on to make my 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.

It's very clear how strongly Mr S feels about how Virgin Money has treated him. I've carefully considered everything he's told us. I appreciate his frustration at the situation, but I don't consider Virgin Money has acted incorrectly.

It may help to start by saying that this service isn't here to punish or fine businesses such as Virgin Money and it's not our role to change the bank's policies and procedures. This means I am unable to compel the bank to change its security processes. Instead, our role is to be impartial and look at whether a financial business has treated its customer fairly and reasonably in all the circumstances of an individual complaint.

In broad terms, the starting position in law is that a bank is expected to process payments and withdrawals that a customer authorises it to make, in accordance with the terms and conditions of the customer's account.

But, taking into account the law, regulators rules and guidance, relevant codes of practice and what I consider to have been good industry practice at the time, I consider Virgin Money should fairly and reasonably:

- Have been monitoring accounts and any payments made or received to counter various risks, including anti-money laundering, countering the financing of terrorism, and preventing fraud and scams.
- Have had systems in place to look out for unusual transactions or other signs that might indicate that its customers were at risk of fraud (amongst other things). This is particularly so given the increase in sophisticated fraud and scams in recent years, which banks and building societies are generally more familiar with than the average customer.
- In some circumstances, irrespective of the payment channel used, have taken additional steps, or made additional checks, before processing a payment, or in some cases declined to make a payment altogether to help protect customers from the possibility of financial harm.

Whilst Virgin Money's first obligation is to follow Mr S's payment instructions, the bank should be on the lookout for out of character account activity which can indicate fraud or be the result of a scam. This is because Virgin Money has extensive legal and regulatory responsibilities it must meet when providing account services to customers. To fulfil these obligations, the bank may need to review activity taking place on accounts and ask customers for further information. Mr S has highlighted that he'd made payments to this payee in the past and the amount of his intended transaction wasn't a significant sum of money. But these aren't the only risk factors that a bank will consider. The bank's general terms and conditions allow it to refuse a payment instruction if it has concerns. This means that Virgin Money is entitled and obliged to carry out additional checks, notwithstanding the fact that Mr S has made similar payments in the past. Virgin Money must assess each payment request from a detached position and with their regulatory obligations in mind. This

means that Virgin Money could require Mr S to provide additional information and verification about other payments he may wish to make at some point in the future.

There's a balance to be struck between identifying payments that could potentially be fraudulent – and then responding appropriately to any concerns – and ensuring minimal disruption to legitimate payments. Having looked at all the evidence, I don't believe it was unreasonable in the circumstances here for Virgin Money to query the payment and then go on to block Mr S's account. Virgin Money has explained to me why Mr S's payment triggered its security processes. I am unable to share a lot of detail about this with Mr S because the bank's security processes should be kept confidential. There is no obligation for Virgin Money to tell Mr S the precise reasons behind its actions, as much as he'd like to know. But from what I have seen, I don't consider Virgin Money's actions to apply restrictions were unfair. On balance, when considering Virgin Money's wider regulatory responsibilities and all the information available to me, I find Virgin Money had legitimate reasons to be concerned. So I don't think Virgin Money acted unfairly by requiring additional verification from Mr S.

Whilst I understand how frustrating this was for Mr S, and I do recognise the timing whilst he was abroad and away from home compounded the situation, I am not able to fairly recommend compensation for consequential financial losses when Virgin Money hasn't acted incorrectly. I don't consider the bank made any mistake by applying a full account block or in requiring the block to be lifted with additional verification. These actions were proportionate to the potential for foreseeable harm that Virgin Money had identified.

As I don't think Virgin Money has acted incorrectly or treated Mr S unfairly by blocking his intended payment and applying restrictions, I am unable to fairly say that Virgin Money should have to pay compensation to Mr S for the impact these arrangements have had. I readily accept that these arrangements were not ideal for Mr S. But I feel some inconvenience is unfortunately a necessary consequence of modern banking practices and the obligations on Virgin Money to have systems and processes in place to protect their account holders' money.

I am sorry to have to disappoint Mr S. I know he feels the compensation Virgin Money paid into his account following its final response doesn't go anywhere near far enough to recognise the difficulties the bank's actions caused him. But as I'm satisfied that Virgin Money haven't acted inappropriately, I cannot fairly say that Virgin Money needs to do anything further.

My final decision

For the reasons I've explained, my final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 8 May 2025.

Claire Marsh
Ombudsman