

The complaint

Miss M is unhappy that Clydesdale Bank Plc, trading as Virgin Money, transferred her defaulted Bounce Back Loan (“BBL”) debt to a third-part debt collection agency (“DCA”) even though she was making payments of £20 per month towards it.

What happened

Miss M had a BBL with Virgin on which she used all of her payment holiday and term extension options under the Pay As You Grow payment deferral scheme. After all these options had been utilised, Miss M’s contractual obligation to make the monthly payments as stipulated within the loan agreement resumed.

Miss M failed to meet these payment obligations and her BBL fell into arrears. Virgin wrote to Miss M about the arrears on her account, but Miss M didn’t recover the position of her BBL which resulted in the loan being defaulted for non-payment by Virgin. And once the BBL had been defaulted, Virgin transferred the account to a DCA.

Miss M wasn’t happy about this and noted that she was voluntarily paying £20 per month towards the loan, which she felt constituted a payment arrangement offer that Virgin were obliged to accept. So, she raised a complaint.

Virgin responded to Miss M but didn’t feel that they’d done anything wrong by administering her loan in the manner that they had, including by defaulting it and transferring the account to a DCA. Miss M didn’t agree, so she referred her complaint to this service.

One of our investigators looked at this complaint. But they didn’t feel that Virgin had acted unfairly towards Miss M and so didn’t uphold the complaint. Miss M remained dissatisfied, so the matter was escalated 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.

In her correspondence with this service, Miss M has referenced financial regulation, which she feels that Virgin haven’t adhered to. However, this service isn’t a regulatory body, but is an informal, impartial dispute resolution service. And while we do take relevant law and regulation into account when arriving at our decisions, our remit is focussed on determining whether we feel a fair or unfair outcome has occurred – from an impartial perspective, after taking all the factors and circumstances of a complaint into consideration.

When Miss M accepted the BBL, she agreed to the terms of the loan which included that if Miss M failed to meet her contractual payment obligations, the loan could be defaulted, and Virgin could then transfer the account debt to a DCA.

Miss M’s contractual obligation to make capital and interest payments to the loan resumed after Miss M had utilised all payment deferral options available to her under the BBL scheme. And when Miss M didn’t then make the contractually required payments, Virgin sent

letters notifying her as such which Miss M has confirmed to our investigator that she did receive.

Miss M has said that she felt these letters were unclear. But upon review I disagree, and I feel that the letters explained both the position of the BBL and the potential consequences of Miss M not recovering the position of the loan in clear terms. Additionally, if Miss M was uncertain as to the meaning of formal letters she received from Virgin, I would reasonably have expected her to have contacted Virgin to obtain clarification from them, which Miss M didn't do.

Ultimately, I'm satisfied that Virgin gave Miss M an opportunity to recover the position of her account, but that she didn't do so. Accordingly, I'm satisfied that by defaulting Miss M's BBL because she failed to meet her contractual repayment obligations, such that the loan fell into a prolonged position of arrears, I'm satisfied that Virgin were acting fairly and in accordance with the terms of the BBL.

Miss M is also unhappy that Virgin didn't negotiate a repayment plan with her directly, rather than passing her BBL to a DCA. But it's included within the BBL agreement – which to reiterate, Miss M accepted and consented to when she accepted the loan – that Virgin can transfer a defaulted account balance to a DCA if they see fit. And while Miss M may now be unhappy that her loan debt has been transferred to a DCA, Virgin didn't need any additional consent from Miss M to transfer her debt, given Miss M's acceptance of the BBL terms.

Finally, Miss M feels that the voluntary payments of £20 per month she has been making to Virgin constitutes a payment arrangement which Virgin are duty bound to accept, such that her loan debt shouldn't be transferred to a DCA. I don't agree, and as previously explained, the BBL terms included an explanation that a failure to meet the contractual payment obligations could result in a default, and that Virgin could transfer defaulted account debt to a DCA.

All of which means that final decision here is that I won't be upholding this complaint or instructing Virgin to take any further or alternative action. In short, this is because I'm satisfied that Miss M has failed to meet her contractual payment obligations such that Virgin's defaulting of the loan and passing of the defaulted debit to a DCA are not unfair.

I realise this won't be the outcome Miss M was wanting, but I trust that she'll understand, given what I've explained, why I've made the final decision that I have.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 14 August 2025.

Paul Cooper
Ombudsman