

## **The complaint**

A sole trader, who I'll refer to as Mr C, complains that Clydesdale Bank Plc trading as Virgin Money ("Virgin Money") acted unfairly in putting his bounce back loan ("BBL") into default and transferring it to external debt collection agents.

## **What happened**

Mr C took out a £50,000 BBL from Virgin Money in 2020.

In 2024, Mr C failed to make BBL repayments from July onwards. Virgin Money wrote to him about the arrears several times and sent text messages asking him to contact them.

On 9 October 2024, Virgin Money sent a legal notice formally demanding repayment in full of the outstanding BBL balance.

On 23 October 2024, Mr C phoned the bank saying he wanted to clear the arrears. Virgin Money told him this was no longer possible by phone, but that he could contact the BBL department by email. Mr C emailed them that day using the email address he was given on the phone. Virgin Money didn't respond to this email.

On 30 October, the bank transferred Mr C's BBL to a debt collection agency.

In December 2024, Mr C complained about the default and the lack of response to his email. He thought in the circumstances the bank should take the loan back from the debt collection agency and give him a further chance to clear the arrears.

Virgin Money replied that they considered the default and recovery action to be fair. But they acknowledged their failure to respond to the email and offered Mr C £100 in compensation.

Mr C asked the Financial Ombudsman to look into what had happened. One of our investigators did so, but she didn't think Virgin Money had acted unfairly.

Mr C disagreed and asked for an ombudsman's decision. He made the following points, in summary:

- He had made a genuine attempt to engage with the bank on 23 October 2024 and had then acted on advice given him by the bank in sending an email. Virgin Money's actions had suggested there was still room for dialogue at that point.
- The final demand letter was not clear that there was no further scope for remedying the arrears.
- The Financial Conduct Authority's Principles required banks to treat their customers fairly and make reasonable efforts to resolve arrears before escalation.
- The sudden transfer to a debt collection agency had had serious consequences for his creditworthiness and business reputation.

## **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.

The crux of this complaint is whether it is fair and reasonable for Virgin Money to carry on with their default and recoveries procedure, given the fact that they failed to respond to Mr C's email of 23 October.

I've listened to Mr C's phone call of 23 October, in which he was informed that there was no longer a phone number for the BBL department. Mr C argues that the bank's representative's actions led him to believe there was still room for dialogue at that point. But having listened to the call, there was no discussion of the position of the BBL or the fact that a formal demand had been made. So I don't think the bank's representative could reasonably have known the full position at that time. If Mr C had only been one or even two payments in arrears, then sending an email might not have been an unreasonable step.

The bank sent Mr C letters about the BBL arrears in July, August and September. The September letter informed Mr C that he was three payments in arrears, then went on to say:

"If your loan account isn't back on track by 9 October 2024, we may have to send you a final demand letter. This is a legal notice demanding you pay back the outstanding balance in full.

However, if you can't make these payments - or you're going through financial difficulties - please get in touch as soon as you can..."

We may also have to send details of your missed payments to credit reference agencies. This could affect your credit score and your chances of getting credit in the future."

I think this letter made clear the urgency of the situation – and the consequences of inaction. In my view, it's evident from the wording above that this was a final opportunity for dialogue. But Mr C didn't contact the bank for another month and waited for two weeks even after he received the legal notice that he had been warned about above.

It's not in dispute that the bank then made an error by giving Mr C an email address to which to write and then failing to respond to an email to that address. But I don't think that cancels out the earlier events. In reality, I agree with our investigator that it was already too late on 23 October, even if the bank had still had a phone line for BBLs or had picked up the email promptly.

I've considered whether the bank should fairly have offered Mr C more forbearance. But I'm not persuaded this would have been reasonable. Virgin Money had made numerous regular attempts to contact Mr C since July 2024 and received no response. And whilst his BBL was up-to-date with repayments immediately before the July instalment, it had been in arrears on numerous occasions since 2022, suggesting prolonged cashflow problems. Banks are required to act responsibly and they cannot let loans carry on going further into arrears when borrowers are not attempting to engage with them and there is evidence of ongoing difficulties.

I note Mr C's argument about the FCA's Principles for Businesses, but the lending here is unregulated. So these principles do not in fact apply. But in any case, I don't consider it was unfair for Virgin Money to follow its recoveries procedures after sending the formal demand. I don't think the failure to respond to an email sent two weeks after the formal demand changes this position.

Mr C has also suggested that the formal demand letter was unclear that there was no further scope for negotiation. I've considered this argument. However, the letter said "The total outstanding balance on your loan is £36,441.97, plus any interest that's built up. Please call us on [...] to clear the amount you owe". I think this makes it sufficiently clear that the bank is now looking for repayment in full, rather than just clearing the arrears.

Mr C knew that the bank had been sending him letters and text messages since July with an increasingly urgent tone and that the last letter had been headed "legal notice". However, he then sent one email, then took no further action (including not making any further repayments) for two more months before getting in touch again. Whilst I agree that the bank made an error, Mr C it was his responsibility to repay his loan and I don't think he has acted with sufficient urgency here. It follows that I don't consider the bank has been unfair in declaring the loan in default and deploying debt collection agents.

I believe Virgin Money has already paid Mr C the £100 they offered him in response to his complaint. I think this is sufficient compensation for the error with the email, given that I don't consider it made any difference to the outcome for the loan. So I am not going to direct the bank to do anything further.

### **My final decision**

For the reasons set out above, I do not uphold this complaint.

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

Louise Bardell  
**Ombudsman**