

The complaint

Mr D complains about the service received from Clydesdale Bank PLC trading as Virgin Money ("Virgin Money") regarding the return of a payment he made in error for £10,000 into an old account he held that had been closed and reallocated.

What happened

Mr D held an account with Virgin Money that was closed in 2017 following which the account number was recycled to another customer.

On 8 November 2024 Mr D made a £10,000 payment via an automated system with his current bank ("X"). Mr D realised the payment hadn't been received into the account he expected and contacted X. Unfortunately, when making the payment Mr D had selected the wrong payee and the payment had been sent to a closed account Mr D held previously with Virgin Money and so X sent a recall request to Virgin Money on the same day at 3:38pm.

Virgin Money responded to this on 12 November - the next working day – acknowledging the claim and providing an estimated completion date of 4 December.

Virgin Money tried contacting the account holder of Mr D's recycled account number on the same day and again on 22 November but unfortunately there was no response to its letters.

Mr D contacted Virgin Money several times during the recall process and was told that enquiries would be made to trace his funds.

As per the 20-day Payment Services Recovery (PSR) Regulations guidance Virgin Money sent a response to X on 3 December at 10:04 to let it know there had been no response from the payee and as such the file would be closed.

Mr D raised a complaint with Virgin Money about all this. Although Virgin Money did attempt to call Mr D about his complaint that was unsuccessful. Mr D chased for an update and final response to his complaint on 7 February, 17 March and 14 April 2025.

Virgin Money had unfortunately sent its final response letter to a previous address and during the call with Mr D on 14 April Virgin Money sent its response by email to Mr D's correct address. Virgin Money offered Mr D £100 for the poor service he'd received whilst chasing for updates about his claim and for the delay in receiving its final response but didn't uphold his complaint point regarding the recovery of funds or reallocation of customer account numbers.

Mr D was dissatisfied with this and so brought his complaint to this service. Mr D is unhappy that his account was recycled and wants Virgin Money to refund the payment.

One of our investigator's looked into Mr D's concerns and explained that due to the relationship Mr D had with Virgin Money we were limited as to what aspects of his complaint against it we could investigate. They confirmed we could look into Mr D's complaint

regarding his account number being recycled as it arose out of Mr D's original customer relationship with Virgin Money.

Having considered this they didn't think Virgin Money's actions here were unreasonable as the recycling of account details - given the limited number of combinations available - is common practice in the industry. They were satisfied – despite there being no specific rules dictating how much time should pass before reusing account details – that a reasonable period had elapsed before the details were reissued to another account holder.

Regarding the recovery of Mr D's missing funds, they confirmed that Mr D could refer a complaint to us about a failure of a payee's payment service provider (Virgin Money) to co-operate with the sending payment service providers (X) efforts to recover the money. But as the money was paid into an account that was no longer Mr D's, we could only look at whether Virgin Money have completed its obligations in response to requests from X in the timescale we'd expect as per the PSR's.

On this complaint point they concluded that Virgin Money had completed its process as we'd expect, within industry timelines and so hadn't made any errors. They acknowledged that the service Mr D received could've been better but thought the £100 offered was fair and in-line with our approach and so endorsed this offer rather than making an award as the service received by Virgin Money is seen as an ancillary activity to the payment recovery process.

Mr D remained dissatisfied and has asked for an ombudsman's decision on the matter. Mr D says that the fact he was no longer the account holder on the reallocated account number should have been a red flag and prevented or bounced the original transfer and doesn't believe the actions taken by Virgin Money to be enough and that it failed to provide any advice in how he might recover his money. Mr D says given what has happened is an entirely foreseeable consequence of reallocating an account number that there is a duty of care angle that hasn't been fully explored and would expect both the banks and the regulator would consider.

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.

And having done so and I know this will come as a disappointment, I'm in agreement with our investigator - who I consider has given a comprehensive response to Mr D's complaint – and I don't think there is anything much more of use that I can add.

I sympathise with Mr D as he has potentially lost a not insignificant amount of money. But having considered everything carefully I don't think this is due to any error made on Virgin Money's behalf.

It might be helpful for me to say here that, as we are not the regulator, I cannot make Virgin Money or any bank change its systems or processes – such as how or when account numbers are reallocated. We offer an informal dispute resolution service and we have no regulatory or disciplinary role.

In this case as there is no specific guidance on how long a bank must wait before it reallocates an account number, but as Virgin Money did not reuse the account number for a number of years, I can't say that Virgin Money made an error here or its actions were unreasonable in reallocating Mr D's account number. And as the payment was made to the correct account, I can't say Virgin Money is responsible for the loss of Mr D's money.

Furthermore, as soon as Virgin Money received the recall claim from X it acted promptly and with what I believe is a reasonable timeframe – the next working day – and did all it could do within the powers it had to try and retrieve the payment for Mr D by directly contacting the account holder and recipient of the funds to get obtain a debit authority to return the payment and notified X of the outcome within the guidelines set by the PSR's.

Unfortunately, this request and a further one made wasn't successful and Mr D remains out of pocket. But as Virgin Money followed the correct processes and as this wasn't due to any error made on its behalf, I can't say Virgin Money have done anything wrong.

I appreciate Mr D was led to believe that the funds would be returned and his expectations weren't managed. Virgin Money should've made it clear that payment recalls and credit recovery processes are completed on a best endeavours basis and that there is no guarantee. I also accept that Mr D had to spend time chasing Virgin Money for a response which must have been very worrying and frustrating. But as the service received around this isn't something we can look at it - being an ancillary activity to the payment recovery process - all I can do is re-endorse Virgin Money's offer of £100 compensation for this as being in-line with what I'd expect.

Mr D should know however that there are other steps that can be taken. On receipt of a request from X, Virgin Money can provide the details of the account holder in receipt of the payment (including name and address) to X who can provide this to Mr D – providing the payee is notified their information will be passed to the payer (Mr D) - to assist them in claiming back the money. If Mr D wishes to receive this information he should put in a request for this to X now.

So it follows I don't uphold Mr D's complaint as Virgin Money followed the correct processes and did all it could reasonably do to retrieve Mr D's payment and isn't obligated to do anything else.

My final decision

For the reasons I've explained I've decided not to uphold Mr D's complaint against Clydesdale Bank Plc.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 15 September 2025.

Caroline Davies
Ombudsman