

The complaint

Mr and Mrs F complain about how Clydesdale Bank Plc trading as Virgin Money has operated their offset mortgage accounts.

What happened

Mr and Mrs F have an offset mortgage portfolio with Virgin Money. Three of the mortgages are in Mr F's sole name and one in joint names. For ease of reference, where I need to distinguish between them, I'll refer to them by the last digits of the account numbers:

- *318
- *815
- *971
- *185 (in joint names)

Mr F has five savings accounts. All are linked to the offset mortgage portfolio, so the combined savings balance offsets the combined mortgage balance:

- *959
- *967
- *924
- *932
- *940

Mr and Mrs F also have a joint current account, ending 975. This account is not linked to the offset portfolio and so Mr and Mrs F do not benefit from any credit balance in this account being offset against mortgage interest.

There have been several previous complaints. In 2010 Virgin Money reduced the balance on 815 by around £2,600. It said that following recent reductions in the interest rate it had calculated the new monthly payment incorrectly so that it was set too low. It reduced the balance by the amount of undercharged interest and offered £150 compensation.

In 2013 Mr F complained again about the calculation error in 2009. Virgin Money referred back to the 2010 response and said it had reached the correct outcome in respect of 815. Virgin Money said that as a result of the same issue, Mr F had slightly overpaid on 971, but as the overpayments had been used to reduce the mortgage balance it didn't think he had suffered loss. It said it had recalculated everything again and was satisfied all accounts were now in the correct position. Virgin Money also said it was still investigating why mortgage 318 was not currently operating on an offset basis.

In 2014 Mr F complained again about 815. Virgin Money said that the account was in the correct position. But a staff member had given him incorrect information about that, for which it apologised and offered £150 compensation. It said that 971 was included in the offset arrangement.

In 2016, Mr F complained that 318 had been removed from the offset arrangement in 2008.

Virgin Money said it couldn't explain why that had happened, so it had recalculated the balance as if it had been included in the offset throughout. This had resulted in a reduction in the balance of just under £2,300. It also offered £300 compensation. Virgin Money said that as part of its investigation, it had realised that three of the mortgage accounts were in Mr F's sole name, but the linked savings accounts and current account were in the joint names of Mr and Mrs F. It said that it couldn't link an account where one of the account holders was not party to all parts of mortgage portfolio, so the joint bank accounts couldn't be offset against the current portfolio of three sole and one joint mortgage. Virgin Money said that after discussion with Mr F it had been agreed that the five savings accounts would be switched to Mr F's sole name and remain part of the offsetting arrangement. But the current account would remain in joint names, and so would be de-linked from the offset arrangement.

In 2023, Mr F complained again. This time he referred the complaint to us. Another ombudsman issued a final decision in 2024, in which she said:

- Mr F's complaint was specifically about the 815 account. He thought the offset arrangement should mean that the mortgage would be paid off several years earlier than Virgin Money's projection.
- She said she wouldn't consider matters that had been dealt with in previous complaints, or that had happened more than six years before the complaint she was looking at had been made.
- There are a range of ways of managing offset mortgages, and different banks take different approaches. Virgin Money operates offset mortgages by:
 - Linking savings accounts to the mortgage.
 - Calculating the difference between the savings balance and the mortgage balance.
 - Charging interest only to the extent that the mortgage balance exceeds the offset balance – not the full mortgage balance.
 - Calculating the offset benefit – the difference between that interest amount and what the full interest charge would be if it were calculated on the whole mortgage balance.
- This calculation is carried out daily based on the balances each day. Virgin Money then collects a monthly payment based on the full amount of mortgage interest due based on the mortgage balance (without offsetting). Where there is an offset balance, the collected payment will be more than the interest actually charged each month because of the offset benefit. The excess is used to reduce the mortgage balance.
- Therefore Virgin Money does not use offset savings to reduce the monthly payments collected. Rather, it uses offset savings to reduce the mortgage capital balance, meaning the mortgage is paid off sooner than would be the case without offsetting. It collects interest as if the accounts were not offset, but charges interest based on the offsetting, with the excess interest collected used to repay capital.
- Having reviewed the operation of the 815 account and its linked savings, as shown in the regular statements Mr F had received, there was nothing to suggest that Virgin Money had operated the account incorrectly or unfairly. It was open to Mr F to commission a formal audit, but in the absence of evidence of unfairness, she didn't uphold the complaint.

In 2025 Mr F brought this complaint. He said that overpayments he had not agreed to were being taken each month. He said his current account should be offset against the mortgage, but it wasn't. And he said the mortgage accounts weren't being administered correctly because interest was being applied even though the mortgages were fully offset. He didn't agree with Virgin Money's projections for the accounts.

Virgin Money said Mr F had asked for the current account to be linked to the mortgage in 2020. At the time a staff member had told Mr F that this would be done. But in fact it didn't happen, and it couldn't happen – because this was a joint account and three of the mortgage accounts in the offset portfolio were sole accounts. It said that it could separate the joint mortgage from the rest of the portfolio and link the joint account to that mortgage only – this would mean that the joint mortgage account wouldn't be linked to the sole savings accounts. But that wouldn't save as much interest as if the entire mortgage portfolio was linked to the sole savings accounts. So Mr and Mrs F were not worse off overall. But it accepted they had been given wrong information in 2020, and offered £50 compensation.

Our investigator said he couldn't consider anything dealt with in the previous complaints. He said it appeared Mr F had decided not to convert the joint current account to a sole account, and to leave it unlinked to the offset mortgage portfolio, in 2016. He said that Virgin Money ought to have reminded him of this in 2020, not said that it could be linked. But because it never could have been linked, Mr and Mrs F hadn't lost out financially. He said there were small overpayments being collected each month. They had been collected for many years and it wasn't now possible to say why the overpayments were first put in place. But Mr and Mrs F had benefitted from them being applied to the mortgage. He said there was no evidence the mortgage was being administered incorrectly. He thought the offer of £50 compensation was fair.

Mr and Mrs F didn't accept that and asked for an ombudsman to review their complaint.

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.

Having done so, I agree with the investigator. Overall, I think Virgin Money has made a fair offer.

The previous ombudsman explained how Virgin Money manages its offset mortgages, and I've set that out above. I agree with what she said.

In addition, when interest rates change, Virgin Money re-calculates the monthly payment based on the new interest rate. In doing so, it doesn't usually take account of previous capital reductions (whether made as voluntary overpayments or as part of the regular offsetting benefit). That's because the mortgage also includes a "borrowback" feature – which means that any overpayment can be borrowed back again at any time. Because there's therefore no guarantee that those overpayments will remain on the balance until the end of the term, they're disregarded when calculating the monthly payments. But any overpayments – whether offset benefit or voluntary additional overpayments – which Mr F specifically asked to be used as capital reduction, rather than included in the borrowback facility, would be taken into account in any re-calculation.

Finally, although there are four mortgages, they are managed as a single mortgage offset portfolio. What this means is that all the savings accounts are offset against all the mortgages.

It's this which prevents the joint current account being offset as well. The original mortgage offer from 2006 includes the following terms:

“Linked Savings Account

You are not obliged to open or maintain any Offset Account as a condition of operating or maintaining an Offset Mortgage. However, if you do so, any Offset Account(s) must be opened and maintained in the name of the person, or some or all of the persons, who are borrowers under the Offset Mortgage(s) within the same Offset Portfolio without the addition of any other person(s).

Linked Current Account

You are not obliged to open or maintain any Offset Account as a condition of operating or maintaining an Offset Mortgage. However, if you do so, any Offset Account(s) must be opened and maintained in the name of the person, or some or all of the persons, who are borrowers under the Offset Mortgage(s) within the same Offset Portfolio without the addition of any other person(s).”

The later mortgage offers contain the same wording.

In the offset portfolio there are three mortgages in Mr F's sole name and one in joint names. The terms of the offers I've set out above mean that a bank account in the same names, or some of the same names, as a mortgage can be offset against it. But a bank account in the name of someone who isn't party to the mortgage can't be offset against it.

All the savings accounts are in Mr F's sole name. That means they can be offset against all the mortgages, because Mr F is party to all the mortgages.

But the joint account is in Mr F and Mrs F's names. That means it can only be offset against one of the mortgages, because an account in Mrs F's name can't be offset against a mortgage she's not party to.

This was explained to Mr F in 2016, as I've set out above. At the time, he decided to convert the savings accounts to his sole name but retain the current account in joint names – knowing that would mean it couldn't be added to the offset portfolio.

The only way the current account could be offset would be to split the mortgage portfolio. What Mr and Mrs F actually have is one mortgage portfolio of four mortgages, with five savings accounts offset. To include the current account, they would have to split it – so they would have one portfolio of three sole mortgages with five savings accounts offset, and one portfolio of one joint mortgage with one joint current account offset.

Virgin Money has explained that it's possible to do that if Mr and Mrs F request it. But it's also said that doing so wouldn't be to their advantage. Given the low balances over time on the current account compared to the savings accounts, they are better off having the savings accounts offset all four mortgages, rather than having the savings accounts offset three of them and the current account offset the fourth. In practice, that would mean that for most of the time the joint mortgage would be less offset in that arrangement – leading to Mr and Mrs F being charged more overall.

I'm not persuaded Virgin Money has acted unfairly here. I agree that the current account can't be added to the existing offset portfolio while it's in joint names but three of the mortgages are in sole name. I'm not persuaded that this has left Mr and Mrs F worse off than splitting the portfolio would have done. And in any case, I think it's clear that – even if he

doesn't recall this now – Mr F was aware of this in 2016 and chose to leave things this way. The fact that the current account is not part of the offset is not because of anything Virgin Money has done wrong. It's just how the accounts work.

Virgin Money accepts that it didn't make this clear to Mr F when he asked about it in 2020, and at that time it didn't remind him of what had been agreed in 2016. It shouldn't have led him to believe that the current account could be added to the offset. But all the statements and summaries since then show that it wasn't in fact added. And – as I've said – it couldn't ever have been added, and Mr and Mrs F aren't worse off by not splitting the portfolio. I don't therefore think this has had lasting consequences for them. In the circumstances I think the offer of £50 compensation is fair.

As regards the overpayments, they've been in place for many years. Because of the passage of time, it's no longer possible for Virgin Money to explain why they were set up in the first place – whether because Mr and Mrs F requested it, whether there was an error, or for some other reason. That's unfortunate. But it's not a reason for me to uphold this complaint. Firms aren't required to keep records forever, even where accounts are still active. I've no doubt it would be helpful to Mr and Mrs F to explain in what circumstances the overpayments were set up in the first place. But there's no evidence to show Virgin Money did anything wrong. And even if the overpayments were wrongly set up, I wouldn't uphold this part of the complaint. The amounts are trivial and so paying them hasn't caused Mr and Mrs F any hardship. They've benefitted from them reducing the mortgage balance over time. And they haven't questioned them before, even though they've appeared on the statements issued over the years.

I've not seen anything else that persuades me that the accounts are operating incorrectly or unfairly. I'm not able to carry out a full audit of the accounts. I don't think Virgin Money should be expected to provide a full detailed reconstruction of alternative scenarios either. These are complex accounts, involving daily calculations of the offset benefit and interest applied. It's open to Mr and Mrs F to arrange for someone to do that for them, at their own expense (as the previous ombudsman said). But it's not something I consider necessary. Although I haven't carried out a detailed audit of the account history, I am satisfied that it's operated in line with the principles I've set out above. There have been historic mistakes, which Virgin Money put right at the time. I can understand why Mr and Mrs F are therefore concerned that there might be further errors now. But I've not seen anything which suggests that is the case.

Mr F says that he's tried offset calculators provided by other banks and websites, and they don't match the projections Virgin Money has given. But I don't think that's evidence that Virgin Money has done anything wrong. Offset accounts are complex, and different banks operate them in different ways – so using another bank's calculator might well produce different results; not because Virgin Money has done anything wrong, but because like isn't being compared with like. In addition, as I've explained above, the monthly payments are calculated based on the balance at the time without factoring in balance reductions due to the "borrowback" facility. But those reductions are included in the balance used for the daily interest calculations. If that isn't taken into account when checking projections using other calculators, it will produce different results.

Overall, then, I'm satisfied that Virgin Money is operating Mr and Mrs F's various accounts appropriately and fairly. I'm not persuaded that their balances are incorrect, or that the offset benefits aren't being taken into account.

It's open to Mr and Mrs F to ask Virgin Money to split the offset portfolio in two if they want the current account to be offset in future. Or they can ask for the overpayments to be cancelled, or for the "borrowback" facility to be removed and those payments taken into

account in future monthly payment calculations. Those are all changes that Mr and Mrs F can ask it to make if they want to. But I've not seen that there's anything unfair in how Virgin Money is managing the account at the moment. It should pay the £50 compensation it offered, if it hasn't already done so and Mr and Mrs F now want to accept it. Other than that, I don't require it to take any further action to resolve this complaint.

My final decision

My final decision is that Clydesdale Bank Plc trading as Virgin Money should pay Mr and Mrs F £50 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs F and Mr F to accept or reject my decision before 11 March 2026.

Simon Pugh
Ombudsman