

The complaint

Mr B is unhappy that Clydesdale Bank Plc trading as Virgin Money didn't default his account at an earlier time than they eventually did.

What happened

Mr B had a credit account with Virgin which fell into arrears. In March 2023, Mr B engaged the services of a well-known debt charity, who assessed Mr B's finances and who contacted Virgin on his behalf. As a result, Virgin agreed a payment plan wherein Mr B could no longer use the credit card, but where no interest or charges would be applied and the outstanding account balance would be repaid over a period of several years. Additionally, the account would be recorded as being in an agreed payment plan but would not be defaulted.

Mr B remained on this type of plan until early 2024, when he stopped making payments to Virgin. In April 2024, the debt charity reached out to Virgin once again on Mr B's behalf and confirmed what Mr B could afford to repay on a monthly basis.

At that time, because Mr B had broken the previous plan by not making the necessary payments to it, Virgin weren't willing to offer such a plan to Mr B again, and so while they agreed to accept payments from Mr B as per the proposal, they explained that they weren't willing to waive their contractual payment requirements and that the reduced payments that Mr B would make may lead to his account being defaulted – which eventually happened in December 2024.

Mr B wasn't happy that Virgin took so long to default his account, which he felt meant that he would have a default marker recorded on his credit file for longer than he reasonably should. So, he raised a complaint. Virgin responded to Mr B but didn't feel that they'd done anything wrong. Mr B wasn't satisfied, so he referred his complaint to this service.

One of our investigators looked at this complaint. But they didn't feel Virgin had acted unfairly by following the process they had and didn't uphold the complaint. Mr B disagreed, 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.

I issued a provisional decision on this complaint on 5 January 2026, as follows:

When the debt charity first contacted Virgin on Mr B's behalf in early 2023, it led to Virgin agreeing a reduced payment plan which would enable Mr B to avoid the defaulting of his Virgin account, if he made the payments required by that plan. This was explained by Virgin in a letter sent to the debt charity on 30 March 2023, which included the following:

"... [the] payment plan is set up to allow [Mr B] to clear the balance within 5 years from the date the plan started..."

Please note this arrangement will be recorded on your client's credit file. We have now placed a stop on their account, which means that they can no longer use their Virgin Money Credit Card. We will not charge any more fees to the outstanding balance while the payment plan is in place.

For you client to remain on the payment plan, it is important that we continue to receive the agreed payment on time, each month. If any payments are missed, we may have to consider your client's payment plan broken.

If so, we will start communicating with you again about their outstanding amount. It may also lead us to take further action which could include recording a default on your client's credit file."

I feel it was clear from this letter that the plan was designed to help Mr B avoid having his account defaulted. While Mr B did miss some initial payments on the plan, the debt charity continued to engage with Virgin, and when Mr B did make a series of monthly payments Virgin agreed to amend the plan so that it was considered up to date, all of which sounds reasonable to me.

However, after no payments were received by Virgin in December 2023 and February 2024, Virgin were told by the debt charity that they were no longer representing Mr B. Virgin then tried to contact Mr B directly, but without success, and they didn't receive payment to the account in March and April 2024, so that the account fell into a position of multiple arrears.

In April, the debt charity contacted Virgin and said that they were now working with Mr B again and offered a new monthly payment amount based on their assessment of Mr B's financial position. But because Mr B had missed several payments on the previous plan, Virgin were no longer willing to offer that type of plan to him. Instead, Virgin said that they would accept whatever payment Mr B could afford to make, but that unless those payments were of at least the minimum monthly amount as contractually required, the account would move towards default.

I don't feel that Virgin's refusal to put Mr B back on a default-avoiding payment plan was unreasonable here, given Mr B's lack of payments and lack of direct engagement with Virgin. But I do feel if Virgin were no longer willing to offer such a payment plan to Mr B, that they should have moved to default his account at the earliest opportunity, rather than effectively prolonging matters as they did.

I take this position because in April 2024, Mr B's account was several months in arrears and the monthly payment offered by the debt charity was less than the contractually required minimum monthly payments due on the account. It therefore seems inevitable to me that the account would be defaulted.

The Information Commissioner's Office ("ICO") issues guidance which says that a credit provider should default an account after it has fallen three months into arrears and no later than it being six months in arrears. One of the purposes of this guidance is to avoid a situation such as has happened here – where an account has been allowed to remain in arrears for an unnecessary amount of time.

What I feel should have happened here is that when Virgin received the request from the debt charity in April 2024, to return Mr B to a payment plan, that Virgin – having decided that they were no longer willing to put Mr B on a default-avoiding plan, and with Mr B's payment history and the account already eligible for default as per the ICO guidance – should reasonably have issued a default notice to Mr B at that time.

Had Virgin done so, I don't feel that it was likely that Mr B would have been able to avoid the defaulting of his account in line with that notice, given his financial position. And if Virgin had allowed Mr B 60-days, including a grace period, to comply with the default notice, this means that Mr B's account would, and I feel reasonably should, have been defaulted by Virgin in early June 2024, rather than in December 2024.

Accordingly, my provisional decision is that I uphold this complaint in Mr B's favour and instruct Virgin to amend the date of Mr B's default to 1 June 2024, and to update their credit file reporting accordingly.

Additionally, I'm also provisionally instructing Virgin to pay £100 compensation to Mr B in consideration of the trouble and upset that this matter has caused. In arriving at this amount, I've considered the impact on Mr B of what has happened, but also Mr B's own lack of engagement with Virgin, which I feel could have mitigated against what happened here and which means that I don't feel that a larger payment of compensation is warranted. Virgin must pay this £100 to Mr B directly and may only use it to reduce Mr B's outstanding balance with them if Mr B gives his permission to Virgin for them to do so.

Mr B responded to my provisional decision and confirmed that he was in acceptance of it. Virgin also responded and said that they disagreed with my instruction to backdate the default to 1 June 2024. Instead, Virgin felt that a correct process had been followed and noted that the first time the arrears reached 180 days old – which as per Virgin's process, was the time at which a default could be considered – was 7 October 2024, and suggested that the default be backdated to that date.

However, the spirit of my decision is that I feel that the process implemented by Virgin here has resulted in an unfair outcome. Accordingly, I'm not persuaded to change my position based on Virgin's referral to a process that I feel has led to an unfair outcome. And I continue to feel that the actions I've described in the provisional decision letter should fairly and reasonably have been undertaken by Virgin in the first instance.

As such, I see no reason not to uphold this complaint in Mr B's favour on the basis described in my provisional decision above, and I therefore confirm that my final decision is that I do uphold this complaint in Mr B's favour on that basis.

Putting things right

Virgin must backdate Mr B's default to 1 June 2024 and amend their credit file reporting accordingly.

Virgin must also pay £100 directly to Mr B.

My final decision

My final decision is that I uphold this complaint against Clydesdale Bank Plc, trading as Virgin Money, on the basis explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 18 February 2026.

Paul Cooper

Ombudsman