

The complaint

Mr H complains that Clydesdale Bank Plc trading as Virgin Money (“Virgin”) blocked his account without telling him and left him without access to his account.

What happened

On 29 June 2020 Mr H took out a Virgin Money credit card. On 28 October 2023 Mr H attempted to use the card but the transaction was declined.

Mr H contacted Virgin, who said that the account had been blocked and that he needed to provide proof of his identity and that a letter had been sent to him advising him of what documents he needed to provide. Mr H advised Virgin that he hadn’t received a letter and they said they would resend it.

Several weeks passed and Mr H still hadn’t received a letter. During this time the lack of access to his account meant that he missed a payment. He complained to Virgin.

In its final response, Virgin said that there had been a transaction on the account which had been flagged by the security team, and a restriction had been placed on the account until it could confirm that the purchase had been made by Mr H. Virgin said it hadn’t acted incorrectly by applying the block. It said it understood Mr H’s frustration and it could see that he had called but had failed security, so identity documents were requested. Virgin said it had advised Mr H on 19 November 2023 and 2 February 2024 which documents he needed to send. Virgin acknowledged Mr H’s frustration at the hold times he had experienced when he’d tried to call and said it was upholding this part of the complaint and paid compensation of £25.

Mr H remained unhappy and complained to this service. He said the lack of access to his account meant that he missed his January 2024 payment, and he was worried about the potential impact on his credit file. Mr H said the account was finally unblocked on 16 February 2024.

Our investigator upheld the complaint. He said that although he didn’t think Virgin had made an error by blocking the account, he thought that the process to unblock the card resulted in Mr H having to make several phone calls and wait in lengthy telephone queues to try and resolve things. The investigator said that Virgin should pay further compensation of £75.

Virgin accepted the investigators view, But Mr H didn’t agree. He said he hadn’t known how much he needed to pay in January 2024 because he’d had no access to his account and didn’t receive paper statements. He said the payment due date varied from month to month and he didn’t think it was fair that a late payment marker had been applied to his credit file at time when Virgin had denied him access to his account.

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've reviewed the history of the account. I can see that a transaction was declined on 28 October 2023 and a temporary block was placed on the account. I can also see that Mr H contacted Virgin to query why the transaction had been declined but because Mr H failed the security questions, Virgin wasn't able to remove the block and needed identification documents from Mr H before it could restore access to the account.

I've reviewed the terms and conditions of the account. The investigator went into these in detail, so I won't repeat them here. Having read the terms and conditions, I'm satisfied that Virgin had the right to prevent or limit the use of the card in certain circumstances, including where fraud is suspected. This is to prevent unauthorised parties from accessing the account.

Virgin has explained that Mr H was asked to provide identification documents because he failed the security questions when he called to query the declined transaction. I appreciate that this turned into a long and frustrating process for Mr H. However, I'm satisfied that the request for identification documents was reasonable in circumstances where Mr H hadn't been able to pass security.

Mr H has said that he didn't receive the letters which Virgin said it had sent advising him of what documents he needed to provide for identification purposes. I'm not able to say why Mr H didn't receive any of the letters. However, I can see that Mr H was advised during phone calls on 19 November 2023 and 2 February 2024 of the documents he needed to provide. It was also made clear to Mr H during those calls that access to his account couldn't be restored until the identification process had been completed. So, I'm satisfied that Mr H was aware of the need to provide identification, and of what documents he needed to provide.

I can see that there was an issue with Mr H's January 2024 payment. Mr H has said that this was because he didn't know the payment due date or the amount he was required to pay because he had no access to his account. Mr H has also said that no-one at Virgin would discuss his account with him whilst it was blocked.

I've reviewed the statements and I can see that Mr H made payments of £250 by direct debit in October 2023, November 2023 and December 2023. The outstanding balance was around £8000. I appreciate that Mr H couldn't access his account to see the balance, but I'm satisfied that he would've been aware that it was around this figure and that he needed to make a payment each month of at least the minimum monthly payment.

I can see that a minimum payment of £221.27 was required by 24 January 2024. Mr H has provided this service with a copy of his bank statement showing his payment being returned on 24 January 2024 due to insufficient funds. Mr H has said that his bank balance the following day was sufficient to cover the payment. He thinks Virgin should've tried to take the payment again, rather than report a missed payment.

I've thought about whether Virgin did anything wrong when it reported the missed payment. However, if Virgin had tried to take the payment the following day, it would still have been late and would still need to be reported as a missed payment. This is because lenders have a duty to report accurate information to the credit reference agencies.

I appreciate that Mr H may not have been certain about the payment date. However, even though he was unable to access his account, I think he could've contacted Virgin to check the payment date. I don't think Virgin would've refused to provide this information, despite the account being blocked.

I haven't seen any evidence that a missed payment has been reported on Mr H's credit file. But if it has, I won't be asking Virgin to remove it for the reasons I've explained above.

I've already said that I don't think Virgin made an error by blocking the card. However, it does seem that the process for unblocking the card meant that Mr H spent a lot of time trying to contact Virgin. This was compounded by long wait times each time he called, which Virgin has apologised for. It's clear from what Mr H has said that this caused him significant distress and inconvenience. Taking everything into account, I'm in agreement with the investigator that the total compensation should be increased to £100.

My final decision

My final decision is that I partially uphold the complaint. Clydesdale Bank Plc trading as Virgin Money must pay further compensation of £75 to Mr H for the distress and inconvenience caused to him.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 1 August 2024.

Emma Davy
Ombudsman