

The complaint

Miss C complains that Clydesdale Bank Plc, trading as Virgin Money, demanded an increase in payments towards her Persistent Debt Repayment Plan unnecessarily. She also complains about the customer service she received.

What happened

Miss C set up a Persistent Debt Repayment Plan on 7 October 2020 to clear her credit card balance which was in excess of £3,000. The plan was to pay a fixed amount of £109.01 per month for 48 months. Miss C said she agreed to the plan.

Miss C made the fixed payments as well as several overpayments during 2021. In December 2021 she reduced the fixed payment to £65 and in May 2022 she further reduced it to £35. In August 2023 with the balance just under £300 Virgin Money wrote to her to advise it was increasing the fixed payment back up to £109.01 per month. Miss C brought a complaint to Virgin Money. She said she was ahead of schedule, so this increase was unnecessary.

In its final response Virgin Money said that Miss C hadn't been permitted to reduce the fixed payments through the mobile app or by calling the contact centre as this would change the contractual minimum payment. It said it tried to contact Miss C several times through the year to advise her it would be amending the minimum payment. Virgin Money did accept that when Miss C contacted it in December 2021 and May 2022 the agents should not have permitted her to reduce the payment. It also apologised for the poor quality of paper used in correspondence to her. To compensate for this Virgin Money offered Miss C £70 for the distress and inconvenience this caused.

Miss C wasn't satisfied and brought her complaint to this service. She said she had always paid at least the amount agreed or the amount requested on her statements. She said the payment required quoted on her statements was £25 so she was paying over the amount required and was doing well, ahead of the plan. She said she wasn't aware she wasn't permitted to change the payments even though she was ahead of schedule. Miss C also said Virgin had stated it had made repeated attempts to contact her, but she said this wasn't the case. She said Virgin Money was demanding the payments to prevent a default.

In his view our investigator concluded that Virgin Money hadn't acted unfairly. Miss C didn't agree and asked for a decision from an ombudsman. She made some further comments to which I have responded below where appropriate. I issued a provisional decision on 17 June 2024. I said:

In its response to this service Virgin Money said:

"Miss C would have been sent letter confirming RPDR plan that Miss C opted into. Miss C was advised that the suggested minimum increase will never be lower than 2.21% of the balance, we will always take the higher of the fixed pay amount and the 2.21% agreed when discussing opt in, and that the new Payment will be visible on customer's next statement. The payment plan

would be in place for four years and would end Nov 24 if Miss C stuck to the agreed payments.”

“...having checked statements from 2021, Miss C was making additional payments on top of fixed payment, including an additional payment of £1,100.00 in October 2021. This explains why Miss C has reduced her monthly payment.”

“However, when setting up RPDR Miss C would have been advised: ‘Please don’t change your fixed payment through the mobile app or by calling our contact centre as this changes your contractual minimum payment, however you can make additional payments using any other payment method, or by setting up a standing order for the additional amount you would like to pay...’ Therefore, Miss C should not have changed her fixed payment, this is why we wrote to her in August 23 regarding an error that has been made, and that we would be increasing her fixed payment back to £109.01 as per terms of her RPDR agreement.”

Miss C has told this service that she wasn’t aware she wasn’t permitted to change the fixed payment. I asked Virgin Money to send me any evidence of it communicating the terms of the payment plan to Miss C, including any letters, telephone records, and anything showing that Miss C understood the payment terms.

It sent a copy of a letter dated 5 September 2020. The letter outlines three options for Miss C to pay off her card. The four-year payment plan option stated the new minimum payment calculation:

The greater of:

- the interest, default charges and annual card fee plus 2.21% of your remaining balance; or
- £25, or your whole balance shown on your statement, if less.

This letter doesn’t state that Miss C wasn’t permitted to change the fixed payment. Virgin Money didn’t send any further correspondence relating to the agreement dated around the time Miss C agreed to it. So I haven’t seen any evidence that Miss C was made aware prior to the agreement or when she made the agreement that she wasn’t permitted to change her fixed payment amount. And so I’m persuaded she wasn’t aware.

Both Virgin Money and Miss C agree that she accepted the four-year option. The other two copies of letters Virgin Money sent were dated in January 2022 and August 2023.

Miss C sent in a copy of a few statements. The requested payment on each is as follows:

January 2023 – requested payment £25, payment date 24 January 2023

July 2023 – requested payment £25, payment date 24 July 2023

August 2023 – requested payment £25, payment date 24 August 2023

September 2023 – requested payment £25, payment date 24 September 2023

At this point Miss C was paying £35, which was more than the requested payment on the statements. Looking at these statements I think it’s reasonable to assume that the payment Virgin Money was expecting was £25 and not £109.01 during 2023.

Virgin Money has accepted that Miss C made additional payments against her balance. This included a substantial payment of over £1,000. The agreement end

date was October 2024. In its letter dated 18 August 2023 Virgin Money said:

“In error your fixed contractual minimum payment value has been removed and so is no longer setup for the value you agreed to when opting in. If we do not add this back to your account it may prevent you paying off your persistent debt balance within the agreed four-year term. We are now increasing your fixed contractual minimum payment to the previously agreed £109.01. If these payments are maintained you will pay off the persistent debt balance within the remaining terms of the agreement.”

The balance on Miss C's statement in August was £317.88. So in less than three years Miss C had reduced her outstanding balance to approximately 10% of the original amount. So she was well ahead of the four-year plan.

I do understand Virgin's terms of the repayment plan, but we are an informal resolution service and I can depart from the terms and conditions where I think it's fair and reasonable to do so.

Virgin Money offered Miss C £70 compensation - £50 for allowing her to change the payments when it shouldn't have and £20 for the poor quality of paper used when it wrote to Miss C. But subject to any further information I might receive, I was minded to say it should go further.

As:

- I'm not persuaded Miss C was aware she wasn't permitted to change her fixed payment,
- She made additional payments which showed her positive intention to pay down the debt,
- Twice Virgin Money allowed Miss C to change the fixed payments even though it was against its own terms,
- Miss C's statements in 2023 indicated she only needed to pay £25;
- And Miss C was ahead of the plan,

I thought it was unfair of Virgin Money to increase her fixed payment back up to £109.01. So I was minded to increase the compensation for the distress and inconvenience to Miss C by £250.

Both parties accepted my provisional findings.

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.

As both parties have accepted my provisional decision I see no reason to depart from its conclusions.

Putting things right

To put things right Virgin Money must pay Miss C a further £250 in compensation for the distress and inconvenience caused. This brings the total compensation Virgin Money must pay to £320.

My final decision

My final decision is that I uphold this complaint and Clydesdale Bank Plc, trading as Virgin Money, must put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 30 July 2024.

Maxine Sutton
Ombudsman