

Virgin Money stumbles as 100,000 seek loan holidays

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The bank, which sponsors the London Marathon, fell to a pre-tax quarterly loss of £7 million as more customers defaulted



Around 100,000 struggling Virgin Money customers have asked for payment holidays, the bank said as it set aside an extra £232 million to cover losses from defaulting borrowers.

The surge in loan losses sent the group to a statutory pre-tax loss of £7 million for the six months to the end of March. On an underlying basis, profits fell from £286 million to £120 million.

The bank said it would delay converting Clydesdale Bank and Yorkshire Bank branches to the new Virgin Money format because of difficulties caused by the lockdown. It has also paused previously announced branch closures and redundancies.

Leeds-based Virgin Money is the product of the 2018 merger of Virgin Money, which had previously bought parts of Northern Rock, with CYBG, which owned Clydesdale and Yorkshire. It is the sixth biggest bank in Britain with six million customers and bills itself as the biggest challenger bank serving both retail and business customers at scale.

Virgin said it had agreed payment holidays to 60,000 mortgage customers, 32,000 credit cardholders and 8,000 personal loan customers. They are being given up to three months breathing space to make loan payments, though in normal cases the interest owed will continue to ratchet up.

Traders took heart from the figures which showed no immediate pressure on the bank to raise more capital. Its core capital ratio fell by 1.5 percentage points to 13 per cent, which is lower than most other retail banks, but in line with a previously set target. The shares rose by 7.7 per cent to 75¼p.

David Duffy, chief executive, said the lockdown had caused “immense disruption” but he was happy with the capital position, saying the bank had £800 million of capital in excess of minimum regulatory requirements. Within the impairment charge, £110 million was earmarked for business loans, £39 million for personal loans and credit cards, and £15 million for mortgages.

Virgin has more than one million cardholders, of whom 1.2 per cent are more than three months in arrears. Mr Duffy said Virgin credit card holders tended to be on higher incomes than the norm and were less likely to default.

Six thousand out of 9,000 Virgin Money staff are currently working from home but all but about ten branches are managing to stay open.

The bank said it was helping 4,500 businesses with £170 million of bounce back credit, loans of up to £50,000 guaranteed by the government.

“We expect further build [of impairments] in future but it does seem Virgin Money has taken a good portion of provisions upfront,” Citigroup said.