Virgin Money reveals 10% pay rise for staff as profits jump

Lender Virgin Money has revealed a 10% pay rise for the majority of its 7,500 staff as it notched up a 43% hike in annual profits thanks to surging UK interest rates.

The group said it is giving most workers a rise of around 10% on average to help them cope with soaring inflation, which comes on top of a £1,000 cost-of-living payment in August.

The pay hike, which was announced internally earlier this month, will be made in two instalments, the first in January and the second in July, with staff being paid between 9% and 11% extra.

The company has also launched a cost-of-living hub to help offer support to customers in financial distress but said it has not yet seen signs of an increase in borrowers falling behind with their repayments.

Following a positive recovery in expectations post-Covid, recent events have seen forecasts deteriorate

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star on the ascent

But the lender stressed it was “carefully monitoring” its customer base and set aside £52 million to cover borrower defaults as the UK faces a prolonged recession due to the cost-of-living crisis.

This compares with a £131 million release the previous year of loan loss impairments built up during the pandemic.

Virgin Money’s annual results showed statutory pre-tax profits jumped to £595 million for the year to September 30, from £417 million the previous year, thanks in part to rising interest rates boosting profit margins.

On an underlying basis and stripping out costs such as restructuring charges, annual profits fell 1% to £789 million.

David Duffy, chief executive of Virgin Money, said: “The macroeconomic outlook has become more uncertain over the course of the year.

“Following a positive recovery in expectations post-Covid, recent events have seen forecasts deteriorate.

“As we enter a more volatile environment, with higher inflation and rates, we are carefully monitoring for any impacts.”

He added: “While we have solid credit quality across our lending, we are aware that some customers will have to make difficult decisions in this environment and we are proactively offering them help and support.”

The group said it was seeing the impact of rocketing inflation on banking customers, with its data showing spending has soared by 16% on groceries and 57% on energy bills.

It reported overall lending growth of 0.8% over the year to

£72.6 billion while it upgraded its net interest margin outlook – a key measure of performance for retail banks – for the year ahead due to sharply rising interest rates in the UK.

The group said mortgage lending remained stable at £58.2 billion, having returned to growth in the second half of the financial year.