

Complaint

Mr J complains that NewDay Ltd failed to contact him after it reversed a payment to his account and then did not collect his direct debits.

Background

Mr J had a credit card account with NewDay. On 1 February 2019 an amount was credited to the account in error. As a result the account went into credit. No statements were issued whilst the account was in credit and no direct debits were collected.

NewDay was made aware of the error in June 2019 and reversed the credit. The reversal appeared on the July 2019 statement together with a credit of £10 as a gesture of goodwill.

Mr J says that NewDay didn't contact him about this at the time. He says that NewDay then didn't collect his direct debit in July. He says it only contacted him towards the end of August to tell him that the payment hadn't been collected. He says that NewDay added fees and charges to his account and issued a default notice in September. He complained to NewDay about these matters.

NewDay investigated his complaint. It acknowledged that it should've contacted Mr J at the time when the credit was reversed to provide him with an explanation. NewDay said it had credited his account with £10 at the time as a goodwill gesture. But, after he complained it had looked into this again. It said that because it hadn't contacted Mr J at the time it would pay him £105 by way of compensation and would also refund all of the charges and interest that'd been applied to his account in September and October.

It didn't refund any charges for August because it said it had tried to collect the direct debit in July but it'd been returned by Mr J's bank marked "refer to drawer." And, it said that it had written to Mr J about the missed payment on 25 July 2019 and had also phoned him on 7 August 2019. Further statements and notices had been sent to Mr J but he hadn't made any payments.

Mr J said that NewDay hadn't done enough and so he complained to our service. Our investigator looked into the complaint. She said that whilst NewDay could've contacted Mr J to inform him about the payment reversal it had included the details of the reversal on his statement. She also said that NewDay had contacted him by letter and by phone to inform him about the missed payment in July. She reviewed the number of times NewDay had contacted Mr J after the account had been defaulted and she didn't think this had been excessive. So, she thought that NewDay had acted fairly and reasonably and she didn't expect it to do anything more.

Mr J didn't agree and so the complaint has been passed to me to decide.

My findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. For mainly the same reasons as our investigator I won't be upholding this complaint.

I've looked at how NewDay dealt with the payment that had been credited to the account in error. I can see that the credit was made in February 2019 and it appears on the statement for that month. NewDay discovered the error in June 2019. When NewDay discovered that the payment had been credited to his account in error it should've contacted Mr J to explain what'd happened and what it would mean for him. New Day acknowledges that it should've done this.

But, I can see that it sent him a statement in July which showed the payment reversal. It also included £10 as a goodwill gesture. Subsequently NewDay agreed to further compensate Mr J for not having contacted him. It did this by refunding interest and charges, totalling £64.80 that had been applied to his account in September and October 2019. It also paid him £105 by way of compensation.

Mr J says that, because of what's happened, he shouldn't have to pay any interest or fees and that the total amount of his debt should be written off. I've thought about what Mr J has said.

When the payment was credited in error in February, Mr J would've seen this on his statements. He would've known that he hadn't made the payment but he didn't raise any query about it. He also had the benefit of that payment for the period from February to June. So, during that period he wasn't charged any interest or asked to make any payments – even though he still owed money to NewDay. The amount that he owed NewDay didn't increase as a result of what had happened.

I've also thought about the interest and charges that were applied to Mr J's account in the period since June 2019. I've looked at the July statement. It stated that a payment was due and that it would be collected by direct debit on the specified date. NewDay says that it tried to collect the direct debit but it was returned marked "refer to drawer." Mr J says that NewDay didn't try to collect the direct debit. But, I can see that NewDay sent him a letter on 25 July 2019 to tell him that the payment hadn't been collected and the August statement shows that the direct debit was returned unpaid. So, I'm satisfied that Mr J knew that the payment hadn't been made.

The terms and conditions for the account provide that when a payment is missed interest and charges will apply. So, when Mr J didn't make payments in July, August, or September NewDay was permitted under the terms and conditions to apply the interest and charges.

Mr J's mentioned calls he's received about the outstanding balance on his account. I understand Mr J is upset by the number of calls he's received but NewDay isn't obliged to put things on hold whilst the matter is with us. I agree with our investigator that the number of calls hasn't been excessive.

So, having considered everything here, I'm satisfied that Mr J still owed the amount outstanding on the credit card and that interest and fees were correctly applied when payments were missed. NewDay has compensated Mr J for not contacting him when the credit was reversed. It's refunded £64.80 for interest and charges and has paid him an initial sum of £10 and a further sum of £105 by way of compensation. I think that this is fair and reasonable for what happened here and I don't expect it to do anything more.

My final decision

For the reasons given above I do not uphold this complaint against NewDay Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 24 June 2020.

Irene Martin
Ombudsman