

The complaint

Mrs M is unhappy with how NewDay Ltd (trading as Aqua) handled her credit card account when it went into arrears.

What happened

Mrs M fell into arrears with her Aqua credit card in May 2019. She contacted NewDay at the beginning of May 2019 to explain she'd lost her job. NewDay sent Mrs M an income and expenditure (I&E) form to complete, so that a suitable payment plan could be set up.

Mrs M completed the I&E form and it confirmed that she didn't have any funds available to put towards her arrears. A payment plan for £0 was put in place in June 2019, with an agreement for it to be reviewed every three months. NewDay sent confirmation of this in the post to Mrs M, along with an explanation of the implications of not being able to pay in the future. They also reported the arrangement to pay with the credit reference agencies.

The second review in August 2019 showed Mrs M's situation was unchanged. So, the plan remained in place at £0 and confirmation letters were again sent to Mrs M. Mrs M's credit file continued to be updated during this time.

The third review took place in November 2019. During this review, Mrs M said that she had a job lined up, but it hadn't been finalised. Her financial situation at that time was unchanged, so the payment plan remained at £0, with a review in three months' time.

But in January 2020, NewDay sold Mrs M's debt to a debt recovery agency.

Mrs M complained about this. She said that the plan should have stayed in place until March 2020 and not been sold on. She also said that NewDay and the debt recovery agency had both continued to place entries on her credit file, so the debt was showing twice.

NewDay didn't respond to Mrs M's complaint in the specified time, so she asked our service to look into it for her. Our investigator asked NewDay for their response. NewDay provided this and explained that they should have removed their entry from Mrs M's credit file when they sold it to the debt recovery agency. They apologised to Mrs M for this error and arranged for the entry to be removed from the date the debt was sold.

Our investigator said that NewDay had sold the debt on too early, but she didn't think this had had any impact on Mrs M or her situation. She said that the total debt had to be paid back by March 2020 and it didn't appear as though Mrs M was going to be able to do that, so the debt would always have been sold to the debt recovery agency. She did agree that NewDay had made an error in not correcting the credit file at the appropriate time, but she felt an apology was enough.

Mrs M didn't accept this. She told our investigator she would have paid the debt off, or that her partner would have done.

As Mrs M didn't agree, it's been passed to me to decide.

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'm satisfied that NewDay made an error and sold Mrs M's debt to the debt recovery agency prior to the end of the payment arrangement review. But I agree with our investigator. I'm not persuaded that this impacted on Mrs M's situation or made her situation worse.

Mrs M had fallen into arrears in May 2019 and hadn't been able to make any payments towards those arrears for seven months. NewDay had sent Mrs M letters at every payment review to confirm what had been agreed and the actions moving forward. These letters also explained that the debt could be sold at any time to a debt recovery agency.

I've listened to the telephone calls between Mrs M and NewDay at every review. She did explain in the call in November 2019 that she had a new job lined up, but that it hadn't been finalised. And she asked for the payment plan to remain at £0. There isn't any indication in this call and review that Mrs M is going to be in a position by March 2020 to pay off her outstanding arrears. Our investigator also asked Mrs M to provide proof to our service that she would have had the funds available in March 2020 to settle what she needed to. Or that her partner would have been able to settle the arrears for her. But Mrs M hasn't provided anything.

Based on the evidence that has been provided I'm not persuaded that Mrs M would have been able to settle the arrears in March 2020, at which point the debt would have been passed to the debt recovery agency to pursue. NewDay passing the debt across two months early wasn't the right thing to do at that time, but I'm satisfied it hasn't had an impact on Mrs M financially.

NewDay have accepted they should have removed their entry from the credit reference agencies once the debt had been passed on. They have now arranged for this to be done and offered an apology to Mrs M. I think this is reasonable in the circumstances. Mrs M hasn't suggested that the duplicate entries have prevented her from obtaining credit during the time they were both being reported, so I'm satisfied that an apology and the removal of the entries by NewDay is all they need to do.

My final decision

For the reasons above, this complaint is upheld. But NewDay Ltd aren't required to do anything further for Mrs M.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 19 February 2021.

Kevin Parmenter
Ombudsman