

The complaint

Mr S complains about NewDay Ltd, trading as Opuscard, and the interest they've applied to his credit card account.

What happened

Mr S held a credit card account with NewDay. This account charged interest on the balance if it wasn't paid off in full each month. In early 2019, Mr S had been charged interest after mis-calculating the amount he needed to pay after the minimum payment had been taken. But NewDay agreed to write this off as a good will gesture.

In May 2019, Mr S received his monthly statement. His monthly minimum payment was due to be taken by direct debit on 6 June. Mr S made several payments to his account before and on this date, leaving an outstanding balance he expected to be taken by the minimum payment. But the direct debit wasn't taken, meaning he was charged interest on the full balance stated on the monthly statement.

Mr S wasn't happy with this, so he raised a complaint. He didn't think it was fair for NewDay to charge him interest as in his mind he'd cleared the full balance when the minimum payment amount was included. So, he wanted the interest that was charge written off.

NewDay responded and uphold his complaint in part. They thought it was made clear to Mr S how his account should be managed and when interest was charged. They explained that as Mr S had made a payment of £2,000 amount a week before the monthly minimum payment was due, the direct debit hadn't been taken. They said this was a standard business process so didn't think they'd done anything wrong. As Mr S's full balance amount was paid, they felt they'd acted in line with their terms and conditions by charging the interest. So, they didn't think the interest should be waived.

But they didn't think their advisor acted fairly when Mr S called them to query why he'd been charged interest. So, they offered Mr H £50 to recognise their advisor's failure to give a clear and accurate explanation. Mr S wasn't happy with this and didn't think it was fair for NewDay not to take the direct debit and charge him interest. So, he referred his complaint to us.

Our investigator looked into the complaint and didn't uphold it. She thought NewDay had made it clear to Mr S how his account worked and when interest would be charged. So, she didn't think it would be fair to say they'd done anything wrong by charging interest as Mr S had paid more than his monthly minimum amount before it was due. She agreed that NewDay could've handled Mr S's call better and answered his question in more detail but thought the £50 NewDay offered was a fair one to recognise the inconvenience this caused. So, she didn't think NewDay needed to do anything more.

Mr S didn't agree. He didn't think it was fair for him to be charged over £200 interest as a result of NewDay failing to take a minimum payment of just over £50, which he'd expected them to take. As Mr S didn't agree, the complaint was passed to me for a decision.

I used my provisional decision on 16 July 2020, where I explained by intention to uphold the

complaint. In that decision I said:

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Having done so, I intend to uphold the complaint and I'll explain why.

It's not in dispute that Mr S didn't clear the full balance that was stated on his monthly statement in May 2019. And because of this, I agree that NewDay acted in line with their terms and conditions by charging him interest on the total balance amount. But, as well as ensuring NewDay acted in line with their terms and conditions, I also need to consider whether by doing so, they acted fairly and reasonably towards Mr S. And in this situation, I don't think they have.

I've seen the payments Mr S made up to and on 6 June. These payments totalled £5,010.19, including a £2,000 payment on 30 May, which left an outstanding amount of £50.61. This is same amount Mr S expected to be taken by direct debit on that day. Had the direct debit been taken, Mr S would've cleared the entire balance of £5,060.80 and so he wouldn't have incurred any interest charges. So, I think it's reasonable for me to assume Mr S thought the direct debit would be taken, whether or not he made payments before the minimum payment due date and had every intention of clearing the balance in full.

NewDay have explained it's their business process not to take a direct debit if an amount totalling it or greater is paid before it's due. And I'm not able to comment on processes NewDay put in place. But I can decide on whether this process was made reasonably clear to Mr S. And NewDay have explained they feel they made Mr S aware in conversation held earlier in the year how the account works and when interest is charged.

But I've looked at this in more detail. On both occasions, Mr S mis-calculated the amounts he needed to pay to clear the full balance. And the additional payments he made were paid on the same day the monthly minimum amount was due, meaning the direct debits were taken. So, I don't think these were the same as the situation Mr S found himself in in June. I do think NewDay made Mr S aware he needed to clear the full balance and ensure his calculations were correct. And he did do this in June.

I've seen no evidence in the account's terms and conditions or on Mr S's monthly statements that explain a direct debit won't be taken if a payment is made well in advance of the monthly minimum payment due date. And I'm aware Mr S set up a direct debit to take the minimum amount needed each monthly to ensure that payment wasn't missed which would impact his credit rating and incur account charges. So, without being made aware otherwise, I think it was reasonable for Mr S to assume the direct debit would be taken. I think it's most likely that had Mr S been aware it wouldn't be taken, he'd have made the payment of £50.61 to ensure no interest charged.

I've also listened to the call Mr S held with New Day when he questioned the interest he'd been charged, and I agree it wasn't as clear as it should've been. I'm aware NewDay have acknowledged this and offered Mr S £50 to recognise this. I think that's a fair offer to recognise the service he received on that call.

Because of this, I don't think NewDay have acted fairly by charging Mr S the interest payment of £201.42 as I don't think Mr S was made reasonably aware the direct debit wouldn't be taken. So, I think NewDay should refund Mr S this amount. I also think NewDay should pay Mr S £100 to recognise the frustration and upset this situation has caused Mr S.

I've also listened to the call Mr S held with NewDay when he questioned the interest he'd been charged, and I agree it wasn't as clear as it should've been. I'm aware NewDay have

acknowledged this and offered Mr S £50 to recognise this. I think that's a fair offer to recognise the service he received on that call and I don't think they need to do anything further in relation to this.

Responses

Mr S acknowledged the provisional decision and provided no further comments. NewDay also acknowledged the provisional decision and had no further comments to add.

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.

Having done so, I see no reason to change my conclusions. Neither NewDay or Mr S have provided further comments that I need to address or that change my mind. So, my decision remains that NewDay acted unreasonably. To recognise this, NewDay should refund Mr S the interest amount he paid of £201.42. They should also pay Mr S an additional £100 to recognise the upset this situation has caused him.

My final decision

For the reasons outlined above, I uphold Mr S's complaint about NewDay Ltd, trading as Opuscard, and I direct them to take the following actions:

- Refund Mr S the interest amount of £201.42
- Pay Mr S £100 to recognise the upset he's experienced.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 7 September 2020.

Josh Haskey
Ombudsman