

The complaint

Mrs E complains NewDay Ltd has registered a default on her credit file and this has prevented her from remortgaging.

What happened

Mrs E had two store cards managed by NewDay. Each card had a separate direct debit set up to make her monthly payments. In 2013, she moved address but the address on one of her store card accounts (Account 1) wasn't updated although the other was (Account 2). In 2018, she noticed that NewDay were taking two monthly direct debit payments from her account and thought that they may have been taking two payments in error or there was fraudulent activity. In June 2018, she spoke to NewDay to query this further, but Mrs E says it couldn't provide her with clear information or explain the direct debits. Because of this, she cancelled one of the direct debits, the direct debit for Account 1. She did this because she thought it was fraudulent.

As the direct debit was cancelled, her account fell into arrears and eventually defaulted. NewDay wrote to her to request payment and to advise of the arrears however, she says she didn't receive these letters as they'd been sent to her previous address.

She realised that a default had been recorded on her credit file in September 2019, when her mortgage application was rejected.

NewDay upheld her complaint as it couldn't confirm what she'd been advised when she spoke to it in 2018. As an apology, it offered £50 in compensation for the inconvenience caused. However, it advised that it couldn't remove the default as it'd been applied correctly.

Mrs E brought her complaint to us as she felt that it was unfair for it to apply the default. When the investigator spoke to Mrs E, she explained that she forgot to update the address on Account 1, as she was no longer using the card. She also advised that the account had been managed by different companies in the past, so she wasn't up to date with who was managing the account. When she called to query the direct debit in 2018, she wasn't aware that NewDay had taken over the account. Mrs E felt that NewDay should've noticed that she had two accounts on its system.

When the investigator spoke to NewDay it confirmed that her accounts were not cross linked, meaning that they weren't able to see Account 1 when she spoke to it.

The investigator didn't recommend the complaint be upheld because she didn't think she could reasonably say that it should've noticed that she had two accounts, when she spoke to it in June 2018. The investigator felt that it was Mrs E's decision to cancel the payment for Account 1 and she therefore couldn't hold NewDay accountable for this. She also thought as each direct debit had a different reference number, suggesting that the payments related to two different accounts it wasn't reasonable for her to cancel the direct debit and take no further action. She felt, NewDay by writing to the address it held on file for Mrs E, followed the correct process.

Mrs E didn't agree with the investigator's view. She felt the investigator had reversed NewDay's acceptance of liability. She said that she cancelled the direct debit based on the information provided by NewDay in two calls. Had she not made those calls, the direct debit would have still been in place and she would not have a default against her name. In fact, she said she paid the full amount of the debt within a few days of learning of the default, so this is also not about her ability or willingness to pay.

My provisional decision

I thought there had been mistakes and problems from both sides here. Because of that, the situation here is unusual and, while it may be technically correct for NewDay to have applied a default, I was not persuaded that this was fair in all the circumstances.

When Mrs E moved to a new house, I said she should have told the then owner of Account 1 that she had moved and given it her new address. But equally, when Mrs E phoned NewDay regarding the two direct debits it should have been able to explain to her what they were for. Had either of the parties done what they should have done then I didn't think the account would have defaulted. I thought it was more likely than not that she would have kept making payments to the account to avoid any issues like this. I said this because shortly after she was aware of the default, she repaid the full amount.

The fact that Mrs E assumed that the direct debit was fraudulent was something she decided herself. But, NewDay also had an opportunity to inform her about the actual situation here. I realised that NewDay's systems didn't show the account, but I said that's not Mrs E's fault. The account is owned by NewDay and so I thought it was reasonable to expect that it should have been able to tell her what the situation with this was when she called.

The fact it didn't and wasn't able to do this means that Mrs E took action that I was persuaded she wouldn't have done had NewDay given her correct information. I didn't think therefore that it was a fair representation of Mrs E's account handling for the account to be shown as defaulted with the credit reference agencies. That, I thought, didn't accurately reflect the full picture of what happened here – especially as she's repaid what was owed.

I thought NewDay should therefore remove the default and any other negative markers placed on the account from June 2018.

As Mrs E didn't update her address and did make some assumptions, I didn't think compensation was appropriate.

Responses to my provisional decision

Neither Mrs E nor NewDay had anything further to add for me to consider.

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.

As neither party has asked me to consider anything else, I see no reason to change my provisional decision and confirm it here now.

Putting things right

To put things right I think NewDay should remove the default and other negative markers placed on Account 1 from June 2018.

My final decision

I uphold this complaint and order that NewDay Ltd remove the default and other negative markers placed on Account 1 from June 2018.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs E to accept or reject my decision before 17 December 2020.

Nicola Wood
Ombudsman