

The complaint

Ms P complains that NewDay Ltd terminated her credit card account whilst a payment break had been agreed.

What happened

Ms P got in touch with NewDay in March 2020 to inform them that she was undergoing treatment for an illness, and asked for a payment break for her credit card repayments. NewDay agreed to this and a hold was placed on the account for three months.

Ms P is unhappy that NewDay continued to contact her and asked her to make a payment, even when the payment break was in place. When she received a default notice, Ms P spoke to NewDay about it, and was told to ignore it. NewDay then decided to terminate the credit agreement. So Ms P complained.

NewDay considered Ms P's complaint and initially didn't uphold it. Since the complaint came to our service, NewDay has said it shouldn't have told Ms P to ignore the letter, and should have addressed this in the response to her complaint. It has offered £100 compensation in respect of this.

But NewDay maintains that the decision to terminate the agreement was a commercial decision in line with the terms and conditions of the account. It says it will not be reinstating the account.

Our investigator considered the complaint and thought NewDay's offer of compensation was fair. He said a default notice hadn't been applied on Ms P's account, but NewDay's actions led her to believe this had happened. So he thought she had been caused unnecessary distress. However he didn't think that if NewDay had been clearer about what could happen to the account, Ms P would have done anything differently - there would still have been three missed payments noted on her credit file and NewDay was right to record this information.

Ms P didn't agree that £100 was adequate compensation. And she'd like the account reinstated. So the complaint was passed to me for a final decision.

I issued a provisional decision in December 2020, in which I said:

Under the terms and conditions for the account, NewDay can decide to close the account at any time on giving two months' notice. And if a customer repeatedly fails to make payments on time, it can demand immediate repayment of the amount owed under the agreement. In view of the missed payments, NewDay was entitled to demand immediate repayment. But the relevant rules and guidance say lenders should give due consideration to the individual's circumstances. Put simply, they should treat their customer fairly. So I'd expect NewDay to speak to Ms P to understand her circumstances and discuss what help might be appropriate.

Ms P was in touch with NewDay in March 2020, asking them to put a hold on the account due to her personal circumstances. This was put in place by NewDay and it wrote to her

confirming this. In the letter it told Ms P she would still receive statements requesting overdue amounts but could ignore these.

Ms P called NewDay in April to query a letter she'd received about the arrears on the account. The adviser told Ms P to ignore it. The adviser also confirmed there were no interest, charges or late fees being applied to the account whilst it was on hold until June. On this call Ms P was able to make a one-off payment towards the debt.

The letter Ms P was referring to was a default notice. This informed her that if she didn't pay a certain amount by the end of April 2020, the credit agreement would be terminated, and the credit card account closed. By telling Ms P to ignore this important document, I think NewDay led her to believe further action would not be taken.

Ms P didn't clear the outstanding amount and NewDay then decided to end the agreement. It sent a letter at the beginning of May to tell her this.

From what I've seen, Ms P was under the impression she had a payment break on her account which would end in June 2020. Before it ended, she received a default notice and a termination of account letter. This all happened quickly. From Ms P's point of view, things were on hold and she wouldn't have expected further action to be taken at that time; she had been told to ignore letters. If NewDay was planning to close her account so soon after agreeing to put things on hold, this could have been made clear to her. She was under the impression that no further action was needed from her, and the account would resume normally in June after the payment break.

I appreciate that NewDay can ultimately decide whether to continue providing credit. But it still needs to treat customers fairly. Where it makes a decision like this, I would expect it to explain clearly what may happen. In this case, the information given to Ms P was unclear and contradictory. If it had explained things more clearly, she may have been able to take different action.

The total amount to be paid off before the end of April was £336.69, and Ms P was able to pay £100 on that phone call. She wanted to keep her account if possible – she's explained that she spent several years building up her credit limit on the card and wanted it to have a positive impact on her credit rating. Ms P has said she would have tried anything she could to keep the account open – for example borrowing money from family to make a payment if necessary.

As I understand it, NewDay didn't mark the default on Ms P's account for her credit file. It did record the late payments, but that was an accurate record of what had happened. So I don't think the credit record was wrongly affected. And I can't say whether Ms P would have been able to clear the arrears. But she was denied the chance to try and do that. And I'm conscious that Ms P's personal circumstances were difficult at the time – she was having treatment for a serious medical condition. She did the sensible thing of contacting NewDay to help manage the account and thought everything was on hold. The way this matter was handled would have added to her distress at a time that was already very difficult. So I agree some compensation is appropriate.

Having regard to the sequence of events, the situation Ms P was in at the time and the impact on her, I don't think £100 is sufficient. In my view, a payment of £250 would be fair.

Replies to the provisional decision

Both parties have confirmed they received the provisional decision. While unhappy that her account is closed, Ms P said she was happy to accept the compensation of £250. NewDay did not have any 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.

Ms P has said she's happy to accept the proposed compensation and NewDay has not provided any further comments. On that basis, there's no reason for me to change my provisional decision and so it remains my view that NewDay should pay the sum of £250.

Putting things right

To put things right, NewDay needs to pay compensation of £250 to Ms P in respect of the distress and inconvenience caused to her.

My final decision

My final decision is that I uphold the complaint and direct NewDay Ltd to pay the compensation set out above to Ms P.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms P to accept or reject my decision before 9 February 2021.

Peter Whiteley
Ombudsman