

The complaint

Miss D complains that NewDay Ltd incorrectly cancelled her credit card. She says it didn't provide correct information and caused her ill health.

What happened

In mid- 2019, Miss D phoned NewDay after falling behind on her credit card repayments. She explained she was experiencing financial difficulties and was in hospital because of issues relating to her mental health. She said she was struggling to speak on the phone because of the medication she was on and would prefer to communicate by email. NewDay sent Miss D an income and expenditure (I&E) form to complete.

A few weeks later Miss D phoned NewDay to ask for help completing the I&E form. She was told her account had been closed due to non-payment and the account being 60 days in arrears. Miss D was surprised to learn that the account had been closed because she'd been given 30 days to complete the I&E form and she was still within this timeframe. She complained that she was given incorrect information leading to the closure of her account.

NewDay said it had followed the correct process when terminating Miss D's account and it couldn't be re-opened. It said Miss D's earlier phone call wasn't recorded but it couldn't see any notes to show that an I&E form had been sent to her. It credited £40 to her account to compensate her for trouble and upset.

Miss D remained unhappy, so she asked our service to look into her complaint. Our investigator didn't think NewDay was wrong to close Miss D's account. But she thought it should have communicated with her more clearly in light of her health issues. She recommended NewDay pay Miss D an additional £100 to compensate her for the distress and inconvenience caused.

NewDay disagreed with our investigator's view. It said the £40 compensation it had previously awarded was because the complaint handler hadn't seen that an I&E form had been sent to Miss D. This was incorrect but no further action was taken as the decision had been in Miss D's favour. It didn't agree that it had given Miss D unclear information about the account being terminated. NewDay said it felt it had treated Miss D sympathetically and would only be willing to consider awarding higher compensation if documentary evidence of her mental health issues was provided.

Our investigator said the compensation she'd recommended was based on the I&E form not being sent. As this had been sent, she thought a total of £100 compensation would be fair and recommended NewDay pay Miss D £60 in addition to what it had previously paid.

Miss D agreed with our investigator's view. But NewDay didn't agree that additional compensation was warranted. So, the complaint has 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.

NewDay has a responsibility to treat its customers fairly and communicate with them in a way which is clear, fair and not misleading.

The terms and conditions relating to Miss D's credit agreement with NewDay say: "*You must pay at least your contractual minimum payment each month*". I can see that NewDay sent Miss D several letters regarding the arrears on her account and on 13 August 2019, it sent her a default notice which said she needed to pay £126.72 by 3 September 2019. It said that if she didn't pay before this date NewDay would "*terminate your credit agreement with us, close your credit card account and ask you to pay the full account balance immediately...*"

I can't say it was unreasonable for NewDay to have terminated Miss D's credit agreement. She hadn't kept up with her contractual minimum payments. NewDay had also made her aware that she'd breached the agreement and the potential consequences of doing so.

Miss D has accepted our investigator's view on this, but she remains unhappy about how NewDay has communicated with her. While she's willing to accept the compensation our investigator recommended, NewDay hasn't agreed to pay it. So, I've gone on to consider this part of Miss D's complaint.

Miss D says that when she spoke to NewDay in August 2019, she said she would be out of the country in early September and would send back the I&E form on her return. She says she was told this was fine and no other dates were mentioned other than having 30 days to complete the form.

NewDay says a 30 day hold was placed on the account for "*breathing space*", allowing Miss D to complete the I&E form without receiving collection calls. It didn't prevent the accrual of arrears. The termination notice was automatically issued by NewDay's system on 5 September 2019 once the arrears had reached a certain level. NewDay says it advised Miss D of the implications of not making payment towards the account in the default notice letter of 13 August 2019 and she would also have been advised of this in the calls that took place at the time.

It's unfortunate that NewDay isn't able to provide a recording of the telephone call that took place in August 2019. The notes on NewDay's systems are brief so it's difficult to know exactly what was said. But there isn't anything to show that NewDay told Miss D that the credit card agreement would be terminated if she didn't bring the account up to date before 5 September. And I'm persuaded by Miss D's testimony that she was given the impression that nothing further would happen within the 30 day period she had to complete the I&E form.

I appreciate Miss D was previously given information about the possible termination of the credit agreement in the default notice that was sent to her on 13 August 2019. But I think she would have paid more attention to what she was told verbally when she phoned to discuss the arrears on the account.

Although NewDay's call notes are brief, they detail what Miss D said about her mental health condition. So, I'm satisfied that NewDay was aware that Miss D was vulnerable. In light of this, I think it was even more important for NewDay to make sure Miss D clearly understood what was going to happen next.

On balance, I don't think NewDay did enough to make its process clear to Miss D. And I think this was particularly distressing for Miss D, given her mental health condition.

I think it would be fair for NewDay to pay Miss D a total of £100 to compensate her for the trouble and upset she's experienced. This means it should pay her £60 in addition to the £40 it previously awarded her.

Putting things right

NewDay should pay Miss D £60 for trouble and upset.

My final decision

For the reasons I've explained, I uphold Miss D's complaint and direct NewDay Ltd to put things right by doing as I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss D to accept or reject my decision before 9 April 2021.

Anne Muscroft
Ombudsman