

The complaint

Mr F complains about an account he held with NewDay Ltd.

What happened

On 12 February 2021 I issued my provisional decision on this case. I came to a different outcome to our investigator, and so I wanted to give both parties a chance to respond.

I have copied my provisional decision below, and this also forms part of this final decision.

“What happened

In 2017, Mr F took out a credit facility with NewDay. Mr F became behind on his repayments and so NewDay told Mr F it was going to close his account, and so essentially the account would become repayment only.

Mr F then repaid the full balance on the account. NewDay updated Mr F’s credit file to show that the balance on the account was zero, but it didn’t update his credit records to show that the account had been ‘settled’.

Mr F complained to NewDay. NewDay acknowledged that it had given him some information during a phone call that might have been confusing and so it offered him £40 to apologise.

Mr F wasn’t happy with NewDay’s offer. He thought that £1000 would be a fairer amount to settle the complaint. He says that as a result of NewDay not updating his credit records, he wasn’t able to get other credit facilities and so he had to take out high cost credit to consolidate some other credit cards he had.

Our investigator looked into things for Mr F. He thought that NewDay ought to pay Mr F a total of £150 compensation for the mistake it made. He thought that Mr F had experienced distress and inconvenience as a result of the mistake. And he thought that NewDay had contributed to Mr F not being able to take out other credit facilities (other than the high cost credit I have already mentioned).

Mr F agreed that £150 was enough to settle the complaint, but NewDay didn’t agree with this. It said that it didn’t agree the account not showing as settled on his credit file would have meant he only had the option of taking out high cost credit. It’s said that Mr F had other negative information on his credit file that it thinks was more likely to have contributed to this.

Because NewDay didn’t agree, the case has been passed to me to make a decision on the matter.

What I’ve provisionally 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. And having done so, I don’t intend to uphold Mr F’s complaint.

Both parties agree that Mr F's credit file information wasn't updated when it should have been. So I now have to decide, what needs to happen to put Mr F back in the position he would have been in had the error not occurred and to think about what impact, if any, this had on Mr F.

Mr F says that by NewDay not updating his credit file to show the account as being 'settled' has led to him not being able to take credit out elsewhere. But I don't currently agree with this.

I haven't seen any evidence that supports Mr F's view that the reason he was unable to take out credit elsewhere was as a result of his account not showing as settled. The account was correctly showing as a zero balance, and so I don't think this information would be considered negative to other lenders.

I have seen a copy of Mr F's credit report. I can see that there have been missed payments for some accounts and a default applied with a different account. I think it more likely that if Mr F has had declined credit applications, and the declines are as a result of information on his credit report, then I think it is more likely to be down to the other information showing on his credit file – and not NewDay failing to update the account to show as settled. It follows that I don't think that Mr F has lost out here.

I've thought about the overall impact that this had on Mr F. While I appreciate that having to contact NewDay about the information might have been a slight inconvenience, I haven't seen any information to suggest that NewDay delayed doing this. And the information is now showing as correct on his credit file. So I think NewDay have put Mr F back in the position he would have been in had the error not occurred.

Based on everything I've seen, while I agree that NewDay had made a mistake, I think it has already put things right for Mr F. So I won't be asking it to do anything more."

Mr F responded to my provisional decision to say that he didn't accept the findings in my provisional decision. He says he settled a lot of his accounts with one payment, and by doing this improved his credit score.

NewDay responded to my provisional decision to say it didn't have anything further 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've decided not to uphold Mr F's complaint.

I have taken on board Mr F's comments. He says that paying off the balance and settling the account with one payment would improve his credit score. He said he's had confirmation from a credit reference agency about this. I don't doubt that what Mr F says. But for me to be able to agree that NewDay's error in not settling the account led to Mr F having to take out high cost credit elsewhere, I'd need to be satisfied that what NewDay had done wrong, directly impacted Mr F's ability to obtain credit. And I still haven't seen anything that shows me this.

I don't think that an account not showing as 'settled' when the balance was showing as zero would have a significant impact on a credit file. And as I said in my provisional decision,

there was other information on Mr F's credit file that I think is more likely to be the cause of him not being able to obtain credit elsewhere.

So, my decision on this case remains the same. While I agree that NewDay ought to have recorded the account as being settled sooner than it did, I don't think this has had a big impact on Mr F.

However, NewDay did offer Mr F £40 for some information it gave him. I think it's fair that NewDay still pays this to Mr F if it hasn't already.

My final decision

For the reasons set out above, I don't uphold Mr F's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 14 April 2021.

Sophie Wilkinson
Ombudsman