

The complaint

Mr Q complains that NewDay Ltd (NewDay) defaulted his accounts.

What happened

Mr Q had two cards provided by NewDay – an Opus card and a Fluid card. He was struggling with repayments and by January 2020, he had debts of £2284 on the Opus card, and £5012 on the Fluid card. He contacted NewDay and agreed payments of £13.42 per month on Opus, and £28.71 per month on Fluid. Interest was zero, with no fees. In July 2020, NewDay defaulted the Opus account and in August 2020, NewDay defaulted the Fluid account.

Mr Q said the defaults were unfairly applied when he was on a payment arrangement. His credit record was now affected, and he couldn't get credit from other lenders. He said he really wanted a payment holiday under the COVID19 arrangements and not a payment plan. He said he'd asked for that.

NewDay said that they'd agreed the payment plans in February 2020 on both cards. But – the first payment on these plans was needed within 21 days of the agreements. Arrears continued to build up. A default notice was sent in March 2020, with arrears of £349.71. A second notice of default was sent on 30 June 2020 and the default was registered in August 2020. Because the Fluid account was in arrears, this information was advised to the credit reference agencies correctly. They paid compensation of £25 for any inconvenience caused – and refunded all interest and fees on both accounts - from when Mr Q told them of his difficulties in January 2020 – totalling £633.03.

Mr Q brought his complaint to us. Our investigator said she could see that arrears had built up on both accounts, so the contractual terms of them had been broken. This was even though payments to them had been made at the reduced levels. NewDay had sent clear letters setting out the arrears information, and Mr Q hadn't cleared them. The defaults had therefore been correctly applied.

Mr Q asked that his complaint be reviewed by an ombudsman.

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.

I can see where Mr Q is coming from – he says he agreed payment arrangements with NewDay and was meeting these, so he says it was unfair to register defaults on his credit file. So – I have looked at what happened in this connection.

Mr Q was struggling with his debts. I can see that by January 2020, he had debts of £5012 on his Fluid card and £2284 on his Opus card. He called NewDay and explained his situation and provided an income and expenditure form. Based on that, NewDay agreed payment plans of ££28.71 a month on Fluid and £13.42 a month on Opus. These were a lot less than the minimum payments previously needed. NewDay wrote to Mr Q on 19 February 2020 to set out these agreements. Importantly, they said that the first payments must be made within 21 days, and if so, there would be no interest or fees payable. But, if the payments weren't made within 21 days, the payment agreement would be cancelled.

The letters said: *You have told us that you are currently able to make reduced repayments of £28.71 (£13.42 for Opus) per month and so we will set up a payment arrangement once we receive your first payment.*

It is important that you make your payment within 21 days of the date of this letter. Interest and fees will continue to be applied until we have received your payment and the payment arrangement has been set up.

...Once we have received your first payment, we will set up the payment arrangement, not charge any fees and reduce your interest rate to 0% and will send you a letter to confirm this. We will expect future payments to reach us each month by the due date shown on your statement.

If we do not receive your first payment within 21 days of this letter, we will not be able to set up the payment arrangement and you will need to contact us to discuss other options."

Also, even though Mr Q was on a payment plan, NewDay were correct in advising the credit reference agencies of this – their letter dated 19 February 2020 said, *"We may also let credit reference agencies know you are on a payment arrangement which may make it harder for you to get credit in the future"*. I can see that these were recorded as late payments on Mr Q's credit file.

I looked at Mr Q's statements to see if the payments were made within 21 days – and they weren't. And over several months, payments weren't regularly made. For the Fluid account, no payments were made in March 2020 or April 2020. But £28.71 was paid in each of the months of May 2020 through to August 2020. For the Opus account, no payments were made in February 2020 or March 2020. A payment of £13.42 was made in April 2020, but no payments were made in May 2020. Two payments were made in June 2020, but none in July 2020. So – Mr Q didn't keep to the agreement he'd made with NewDay. So – as I see it, they were within their rights to default Mr Q as the arrears built up. I can see that NewDay set out the arrears information several times to Mr Q.

NewDay – like all lenders, have an obligation to report accurate information to credit reference agencies – and that's what they've done here.

I can also see that NewDay didn't charge Mr Q any interest or fees on either account – even though he hadn't kept to the February 2020 agreement. The exception to this was in March 2020 and April 2020 on the Fluid account – when interest was applied. But also – NewDay refunded all interest and fees as part of their final response in October 2020. So – they acted fairly in that regard.

Mr Q has said that he called NewDay and asked for a payment holiday – rather than a payment arrangement. This would have meant he didn't have to make any payments at all. NewDay told us they didn't have a record of Mr Q's request. But I would observe that – payment holidays under the COVID 19 situation became available later in 2020 as the pandemic measures were out in place. Also, if NewDay had agreed a payment holiday (they would have to have agreed to it) – then interest and fees would still have been payable (as this was part of the payment holiday agreements across the industry), so it's questionable whether he would have found himself better off at the end of the day – as he wasn't charged interest and fees by NewDay under the payment arrangement.

So, having reviewed everything in connection with Mr Q's complaint, I think that NewDay acted reasonably. I can appreciate that Mr Q will be disappointed by my decision, but I won't be asking them to do anymore here.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr Q to accept or reject my decision before 21 July 2021.

Martin Lord
Ombudsman