

The complaint

Mr O complains that NewDay Ltd closed his credit card account despite being on an arrangement with it.

What happened

Mr O says he agreed what he thought was a payment holiday with NewDay at the start of 2021. But he says NewDay closed his account before the arrangement had expired on 22 May 2021. Mr O says he didn't receive any notice of this and kept in contact with NewDay to update it on his position and that he had obtained employment. He would like the default removed from his credit file.

NewDay says it hasn't made a mistake and tried to help Mr O. It says Mr O broke the account terms and conditions and was entitled to close his account. It also says it sent required default notices to Mr O in April 2021 and it isn't responsible for the delivery of mail.

Mr O brought his complaint to us and our investigator upheld it. The investigator thought Mr O had agreed a plan with NewDay in January 2021 and paid £250 towards his debt. She also thought Mr O was told a payment wasn't required under the plan and the position would be reviewed in May 2021. The investigator thought Mr O had contacted NewDay again in April 2021 to tell it he was due to start work and it could have told him about the default notice then. She thought Mr O had been told on numerous occasions a payment wasn't required and that NewDay should remove the default from Mr O's credit file and buy back the debt if necessary as well as pay £150 compensation. The investigator recommended NewDay agree a way forward with Mr O.

NewDay doesn't accept that view and says it has not made a mistake. It says it told Mr O that interest and charges would be frozen, but arrears would still build up.

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 have come to the overall view that I uphold this complaint.

I have listened to the telephone calls between the parties and I'm satisfied that Mr O wasn't ignoring his financial difficulties or his debt obligation to NewDay. And that he explained to NewDay that he was in financial difficulties. I'm also satisfied that an agreement was reached in January 2021 that would be reviewed in May 2021 and that interest and charges were frozen.

I can see that Mr O updated NewDay when his circumstances changed in April 2021 and told it he was about to start work. That is what I would have expected Mr O to have done and think it provides additional evidence that he was someone not ignoring his debt but responsibly updating those he owed money to. I can also see that NewDay agreed to send Mr O an income and expenditure form which suggests strongly that it would carry out a new

assessment of Mr O's circumstances in the light of the employment.

I'm satisfied that Mr O called NewDay again in May 2021 as required to do so but at that stage was told the account had been defaulted the previous month. So I appreciate Mr O would have been confused by the situation and questioned why NewDay sent him the income and expenditure form if it had already decided to close the account. I'm also satisfied that Mr O was reasonably entitled to conclude that NewDay had allowed him until May 2021 a payment holiday of some sort and that nothing adverse would happen to his account until then.

I find that NewDay are the experts here and I would have expected it to have been clear when it spoke to Mr O in January 2021 and told him in clear terms that there was a risk of a default despite agreeing the plan. I don't think NewDay was clear and ought reasonably to have explained the position when Mr O called it in April 2021 but did not which I don't think it explained.

Overall, I find that Mr O was reasonably entitled to conclude that he didn't need to make a payment until at least May 2021 and that he updated NewDay with changes in his circumstances. I don't think in those circumstances that the relationship between Mr O and NewDay had broken down despite there being arrears. It follows that I don't think NewDay ought to have registered a default and think it clear that Mr O didn't receive the notice. I can't fairly hold NewDay responsible for that, but I have made clear I don't think it should have been sent in the first place and in any event, it should have told Mr O about it when he called in April 2021.

Putting things right

NewDay should remove the default from Mr O's credit file and I also think it should in this case deduct the £150 compensation I intend to order from the balance owed by him. NewDay should try and reach an agreement with Mr O going forward. NewDay should buy back the debt if it has sold it.

I agree with the investigator that Mr O was caused inconvenience and distress and that NewDay should pay £150 compensation which I think fair and reasonable.

My final decision

My final decision is that I uphold this complaint and order NewDay Ltd to remove the default from Mr O's credit file. I also order it to pay Mr O £150 compensation which should be deducted from the balance he owes and agree with him a way forward for repaying the debt. If NewDay has sold the debt, then I order that it be bought back.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 6 November 2021.

David Singh
Ombudsman