

## The complaint

Mr H complains that NewDay Ltd (NewDay) closed his credit card account and charged him interest during payment holidays.

## What happened

Mr H had a marbles loan and credit card from NewDay. The loan was for £2,400 payable over 24 months and was repaid. The credit card was opened in July 2016 and in September 2020 had a limit of £3,700. Mr H told NewDay he was in financial difficulty and they agreed to several payment holidays on the credit card:

Date	Period of Payment Holiday agreed	Reduced Monthly Payment Amount	Interest/fees
February 2020	6 months	£48	Zero
August 2020	3 months	£48	Zero
January 2021	To May 2021	None required	Zero
May 2021	To September 2021	None required	Zero

In January 2021, NewDay refunded interest of £90.80 and paid compensation of £75. In October 2021, Mr H told us he was charged £76.59.

Mr H complained to NewDay in July 2020 about the possible irresponsible lending in connection with the marbles loan (which had been repaid by then). Mr H told us that he accepted the final response from NewDay about that complaint. But - after he complained NewDay cancelled his credit card – so he couldn't use it for purchases. He said - that was inconvenient and it wasn't fair- it shouldn't be cancelled just because he complained. He said he was told he wouldn't have to pay interest during payment holidays, but interest was being debited to his account.

NewDay said they were entitled to cancel Mr H's credit card – as this was part of their commitment to irresponsible lending. They'd advised him of this in their final responses in December 2020, January 2021, and February 2021. In May 2021, they confirmed they'd agreed to a final payment holiday which was to expire on 4 September 2021. During the payment holiday, interest wouldn't be charged, but it would start again when it ran out. They agreed that they'd wrongly charged interest in December 2020 – when Mr H was in the period of a payment holiday and refunded the interest of £90.80 and paid compensation of £75 for that.

Mr H brought his complaint to us. Our investigator said Mr H shouldn't have been charged interest in December 2020 as he was in an agreed payment holiday. But NewDay had dealt with the refund of interest of £90.80 in January 2021 – so that was fair. Going forward

beyond the payment holidays, it was reasonable that NewDay then charge interest and fees as they had ended. Therefore, Mr H's accounts could be run in accordance with the terms and conditions – which included the charging of interest. On the account closure, NewDay's terms and conditions said they could close accounts if they wished, but they had to give two months' notice – which they hadn't. This had caused some inconvenience to Mr H – as he lost a source of credit just before Christmas. She recommended a payment of £100 for that.

NewDay accepted that recommendation, but Mr H didn't. He said he was being charged interest - £76.50 was on his statement in October 2021. He asked that an ombudsman look at his complaint.

### **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.

There are two aspects to Mr H's complaint 1) the charging of interest on his credit card account and 2) the cancellation of his credit card after he complained in July 2020. I'm not looking whether the marbles loan and increases in the credit card limits were irresponsible or not – as Mr H told us that he was satisfied with NewDay's response on that complaint.

*Interest charged on Mr H's credit card:* NewDay agreed four payment holidays between February 2020 and May 2021 – with the last one expiring in September 2021. As part of these, Mr H didn't pay any interest or fees, and had reduced minimum monthly payments, or no monthly payments. NewDay agreed to these as Mr H was in financial difficulty – as part of their role as responsible lenders. But I can see in their final response in May 2021 that they said to Mr H: *“As an exception, it was agreed that your payment holiday would be applied.... The payment holiday will expire on 4 September 2021. Interest will not be charged for the duration of the payment holiday, and you are not required to make any payment. Please be advised, interest will be chargeable thereafter as per the terms and conditions of your credit agreement.”* I think this is clear – NewDay won't agree to a further payment holiday after September 2021, and therefore interest and fees will apply after then. It looks like that's why interest of £76.50 was applied in October 2021. Given that Mr H has had interest-free borrowing for 21 months (since February 2020) – it seems reasonable that NewDay should take this view. I think it also means that Mr H will need to recommence his contractual monthly payments from then.

However, NewDay are still obliged to consider whether they wish to agree to another payment holiday - if Mr H asks for another one. This will depend on Mr H's circumstances. He will have to discuss this with NewDay – and detail his current circumstances, including his income and expenditure. And – it is for NewDay to agree to this if they wish to.

*Cancellation of Mr H's credit card:* I can see that NewDay said they'd do this when they wrote to Mr H in December 2020, again in January 2021 and February 2021. They said *“Please be advised that as part of our responsible lending policy, when a customer raises a complaint in relation to affordability to avoid placing them further into financial difficulty, we are required to close all other accounts they hold with NewDay”*. So – they were clear about their intentions. And – if a business wishes to take that course of action they can do – it's their commercial decision. But – I agree that in line with their terms and conditions, they should give two months' notice of that – and apart from what these say, it seems only reasonable and fair that they should. And because they didn't on this occasion,

NewDay should pay compensation of £100 to Mr H. I note that Mr H's card remains cancelled – and so he is making payments to reduce the balance, without making any purchases.

NewDay have said to us that Mr H's card must remain cancelled from now on – and again, that's their commercial decision to make – and I can't tell them to change that.

### **Putting things right**

Because NewDay didn't give Mr H two months' notice of the cancellation of his card and for the inconvenience this caused him – they should pay compensation of £100 to Mr H.

### **My final decision**

I uphold this complaint. NewDay Ltd must:

- Pay compensation of £100 to Mr H for distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 20 January 2022.

Martin Lord  
**Ombudsman**