

## The complaint

Mr P complains that NewDay Ltd suspended his credit card account and transferred it to a debt collection company, despite having a payment holiday agreed with them.

## What happened

Mr P holds a retail branded credit card account provided by NewDay.

Towards the end of April 2020, Mr P contacted NewDay by email. He said his income had been negatively impacted by the effects of the global pandemic. So, he wanted to apply for a payment holiday.

NewDay agreed to provide a payment holiday and said that Mr P didn't need to make any payments to his account until 16 August 2020. They confirmed their agreement in a letter to Mr P.

In September 2020, NewDay sent Mr P a notice of default sums as they hadn't received any payments to his account with them. This was followed by notice of termination of his account. NewDay said that Mr P's account had been transferred to their debt recovery department.

Mr P wasn't happy about the notices he received. So, he wrote to NewDay to complain. He told them he'd applied for a payment freeze and, prior to that, had never missed a payment or exceeded his credit limit. He referred to guidance issued by the Financial Conduct Authority (FCA) which required NewDay to assist customers who'd been financially impacted by the global pandemic. He said NewDay had breached the FCA's guidelines.

In early November, NewDay wrote to Mr P in response to his complaint. They didn't agree they'd done anything wrong. NewDay said they'd agreed a payment freeze until 16 August 2020. They'd also written to him in July 2020 to remind him when the payment holiday was due to end and asking him to contact them if he required further support. They said Mr P didn't contact them again, and they didn't receive any payments from him after the payment holiday expired.

As Mr P's account had been in arrears for more than 60 days, NewDay said they were required to take action to prevent Mr P falling into further debt. So, they withdrew his credit facility and transferred his account to a debt collection agency. They said they were also obliged to report this on Mr P's credit file.

Mr P wasn't happy with NewDay's response. So, he referred his complaint to this service. One of our adjudicators investigated Mr P's complaint. But our investigator didn't think NewDay had done anything wrong.

Mr P didn't agree with our adjudicator's findings for the following reasons:

- Regarding a missed payment in March 2020, when the first national lockdown happened, citizens were advised to prioritise their debts.
- The FCA's advice in April 2020 was "*way behind the curve*".
- Although NewDay waived interest during the payment holiday, Interest was charged before and after and was increased from 30% to 50%, despite base rate being reduced.

- Contact with NewDay wasn't possible as correspondence was ignored and calls went unanswered.

As an agreement couldn't be reached, Mr P's complaint has been passed to me to reach a final decision.

### **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 want to acknowledge the financial difficulties experienced by Mr P as a result of the impact of the global pandemic. I also understand that there have been other personal challenges that have impacted his situation. So, I appreciate this will have been a very worrying and distressing time for him.

Mr P's account statements and NewDay's records show that Mr P was unable to make a minimum contractual payment in respect of his March statement. As a result, his account fell into arrears in April 2020. So, it appears Mr P contacted NewDay for support around the end of April.

The Financial Conduct Authority (FCA) issued guidance to lenders on 2 April 2020 which explained what it expected from businesses during the exceptional circumstances arising out of the global pandemic. It provided guidance asking businesses to consider payment deferrals of up to three months under regulated credit agreements.

The FCA said their guidance applied where consumers were already experiencing or reasonably expect to experience temporary payment difficulties as a result of the pandemic. They said, *"firms should ensure that there is no negative impact on the consumer's credit file because of the payment deferral"*.

NewDay agreed a payment deferral for Mr P and confirmed this in writing. They said the payment deferral would continue until 16 August 2020. They also said, *"If there were any amounts due at the time the payment holiday started, you will have to pay these immediately when the payment holiday ends"*. The payment holiday wasn't reported on Mr P's credit file. So, NewDay appear to have met the FCA's requirements here.

The FCA's guidance also said, *"firms would be entitled to charge a reasonable rate of interest where a customer requests a temporary payment freeze. In the event that a customer requires full forbearance that interest should be waived"*.

NewDay didn't charge any interest or fees during Mr P's payment holiday. So, the support they provided appears to go beyond what the FCA required.

Further guidance issued by the FCA on 1 July 2020 extended these measures, and where consumers were still struggling due to the global pandemic, businesses were advised to freeze or reduce their payments for a further three months.

NewDay wrote to Mr P in late July 2020 to remind him his payment holiday was due to end on 16 August 2020. They also said any payments due before his payment holiday started needed to be paid then. Finally, they added, *"If you're finding it hard to pay, call us and we can work with you to find a solution"*. Mr P said he didn't receive this letter. He suggested it was sent by email and went into his spam folder. As NewDay wouldn't have had control over that, I can't reasonably hold them responsible.

NewDay said Mr P didn't contact them upon expiry of his payment holiday, and from what I can see, their files and records support this. Mr P told this service he'd assumed that the payment freeze would be extended. I think NewDay made it clear, in their letters, he needed to contact them if he needed more support once the payment holiday finished.

Mr P hadn't made a payment for his March 2020 statement. So, his account was already in arrears when the payment holiday was agreed. This was detailed on Mr P's April 2020 statement. And I think NewDay's agreement and letters made it clear this needed to be paid by 16 August 2020. As Mr P didn't contact NewDay or make a payment, I believe NewDay were entitled to freeze Mr P's account with them.

Mr P's last payment to his account was on 24 February 2020. So, at the point NewDay terminated his account and transferred it to a debt collection agency, the March statement payment, due 10 April 2020, was more than five months late. So, I can't reasonably say NewDay did anything wrong here. They recorded this information on Mr P's credit file with the credit reference agencies in order to meet their reporting obligations, as set by the Information Commissioner's Office (ICO),

This service's role as an Alternative Dispute Resolution Service (ADR) is to provide mediation in the event of a dispute. This includes examining and deciding whether NewDay have been fair and reasonable in the manner in which their policies and procedures were applied in the individual circumstances of Mr P's experience with them. And I think they have here.

Mr P's commented on the timing of the FCA's guidance, but this aspect doesn't fall within the remit of this service. Likewise, while Mr P may be unhappy with the interest rates charged by NewDay, that isn't something this service is able to consider. That's a business decision for NewDay.

I realise Mr P will be disappointed, but I'm unable to find that NewDay have acted unfairly or unreasonably here. They appear to have complied with all of the FCA's guidance. But Mr P didn't contact them when his payment holiday expired. So NewDay's response appears reasonable.

### **My final decision**

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 30 March 2022.

Dave Morgan  
**Ombudsman**