

The complaint

Mr G complains that NewDay Ltd (“NewDay”) acted unreasonably in closing his credit card account when he complained to NewDay about its actions in relation to a previous credit card. He wants negative information removed from his credit file.

What happened

Mr G had a credit card from NewDay from around 2016.

He managed his card satisfactorily and his credit limit was increased on a number of occasions.

Around summer 2018, Mr G had to leave the UK for a period due to a change in his circumstances.

NewDay continued to send paper statements and letters to Mr G, but he did not make any payments to his credit card from June 2018.

NewDay sent arrears letters and a default warning to Mr G’s address in the UK.

After 6 months of missed payments, NewDay registered a default against Mr G’s credit file.

Mr G subsequently returned to the UK.

In early 2020, Mr G applied for another card with NewDay. This was approved and Mr G began using his second card.

Mr G then settled his default for the first card and complained to NewDay that the default had been registered. He felt that NewDay had not done enough to contact him electronically to help him pay his credit card and avoid the impact on his credit file.

NewDay then closed Mr G’s new credit card. Interest continued to accrue, and Mr G was able to make repayments to the card, but he could not use it.

Mr G complained to NewDay. NewDay responded and said that it did not think that there was an error in how it had acted.

Mr G was not happy with this and contacted us.

Our investigator has looked into this matter and did not recommend that Mr G’s complaint be upheld. NewDay responded saying that it had identified that it ought not to have opened the second credit card as Mr G had previously received a default on a NewDay card within the previous 6 years. NewDay offered to refund the interest on the new card and suppress any further interest or fees, so that all Mr G had to repay was the capital borrowed. The investigator considered that was fair and did not ask NewDay to do anything further.

Mr G did not accept that view and asked for an ombudsman 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 understand why Mr G feels he has been unfairly treated. He did not consciously stop making payments on his first credit card while he was going through a difficult situation and he feels that the default he received was beyond his control and disproportionate. He has paid off the default and feels that the remaining marker on his credit file is a punishment.

He also feels that NewDay has punished him for making a complaint about the defaulted card, by cancelling the newer card.

I understand that he doubts NewDay's account that it had a policy in place not to lend to customers who had previously defaulted with NewDay in the previous 6 years.

I do, however, agree with the investigator's view. The investigator has set out in detail the process that was gone through before the default was issued and I do not intend to repeat that. I agree that NewDay went through a proper process and was entitled to register a default when it had not received any information from Mr G explaining his change in circumstances, and it had not received payments. Whilst NewDay could have done more to contact Mr G, it was ultimately his responsibility to ensure he kept up with his payments.

As my colleague set out, the settlement of the default does not remove the default from a credit file, but the settlement is shown alongside. This is in order to give a fair representation of the account.

In relation to NewDay's actions in closing the second card when Mr G complained about the first account, I appreciate that NewDay misunderstood the complaint and wrongly closed the new account.

However, NewDay has also demonstrated that it was wrong to open the second account in the first place and that this occurred because Mr G's address details had changed and the earlier account was not identified at the time of opening. NewDay therefore argues that Mr G is in no worse a position, and has had the benefit of borrowing when he otherwise would not have been able to.

I appreciate that Mr G was caused some inconvenience when his card account was closed, but I accept the argument from NewDay that the inconvenience caused to Mr G is balanced out by his having received borrowing which he would not otherwise have been able to have.

I agree with the investigator's view that in order to put Mr G in the position he would have been in without the errors from NewDay, his account should remain closed but he should be refunded the interest and fees that have been incurred on the account.

This is what NewDay has offered, and I think this is reasonable.

I note that my colleague indicated that NewDay should remove any adverse information up to date on the second card, but that it would be entitled to report on the management of the account going forward. This is sensible and I endorse it.

I therefore agree with my colleague's view and do not uphold Mr G's complaint. I appreciate that this will be disappointing for Mr G but I hope it makes clear my reasons for reaching it.

My final decision

For the reasons given above, I do not uphold Mr G's complaint and do not ask NewDay Limited to do anything further.

For the avoidance of doubt, NewDay ought not to report any adverse information in respect of the second card account up until the date of this decision, but it may report as normal going forward.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 29 June 2022.

Laura Garvin-Smith
Ombudsman