

## The complaint

Mrs T complains that NewDay Ltd (NewDay) made mistakes when she applied for a second payment holiday on her credit card account, which led to her owing more in arrears than she thought she did. Mrs T also wasn't aware her loan was on a paydown plan.

## What happened

Mrs T holds a credit card account with NewDay.

In March 2020, Mrs T contacted NewDay to request a payment holiday. Her household income had been adversely affected by the impact of the global pandemic. NewDay agreed a payment holiday for three months and wrote to her confirming that her next payment would be due on 16 July 2020.

Mrs T called NewDay again three days before her next payment was due. Her financial situation hadn't improved, so she requested an extension of the payment holiday agreed. NewDay agreed a further payment holiday. They wrote to Mrs T confirming that her next payment would be due on 16 October 2020.

NewDay wrote to Mrs T again on 19 October 2020. They said she'd missed a payment of £217.28 and needed to make this as soon as possible. Mrs T didn't think this was right. She thought the second payment holiday had been agreed for three months and she wouldn't need to pay anything until November 2020.

Mrs T contacted NewDay to complain. NewDay sent her copies of statements and letters sent previously. Mrs T found their content distressing and told NewDay she'd planned to call them in November 2020 to reinstate her payment direct debit. She thought the payment holiday had ended too soon. She also wasn't aware she had a payment plan in place for the amount she owed on her account.

NewDay agreed that when she called them in July 2020, they hadn't explained clearly how the new payment holiday would work and what payments were due. They said that because a statement had been issued, payment was due as soon as the payment holiday ended. But they hadn't received that payment. NewDay apologised they hadn't explained this clearly and paid compensation of £55.

NewDay also said they'd previously written to Mrs T about her account being in persistent debt. Because of this, the balance she owed had been moved to a "PayDown Plan" over 48 months. As Mrs T said she wasn't aware, NewDay sent her copies of their previous letters about this.

In November 2020, Mrs T contacted NewDay's collections department about her situation. They agreed a further one-month payment holiday expiring on 16 December 2020.

Mrs T complained to NewDay again in January 2021. She wasn't happy about the amount NewDay said she needed to pay. They'd said she needed to pay £434.56 which was more than she thought. Mrs T thought the larger amount was due to errors made by NewDay when they agreed the payment holidays.

NewDay wrote to Mrs T in response to her complaint. They didn't agree they'd made a mistake. They said that the higher payment included arrears from her previous statements.

And while Mrs T had made a payment of £217.28, this meant those arrears were still outstanding.

Mrs T didn't agree with NewDay's findings and remained unhappy. So, she referred her complaint to this service. Having investigated Mrs T's complaint, our adjudicator didn't think NewDay needed to do anything more. Our adjudicator agreed with the payment amount NewDay said was due.

Mrs T didn't agree with our adjudicator's findings. She thought NewDay's explanations to this service differed from what she'd been told. So, as an agreement couldn't be reached, Mrs T's complaint has been passed to me to consider further.

### **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.

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

Further guidance was issued by the FCA in July 2020. This 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.

In September 2020, the FCA announced that the support scheme would change from the end of October 2020. From then, firms could continue to support customers in difficulty. But it was down to their discretion and customers' circumstances. Reporting to credit reference agencies was reintroduced for people that had already had the maximum payment deferrals.

#### First payment holiday

The first payment holiday was agreed on 25 March 2020 and confirmed in a letter to Mrs T. They 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"*. NewDay had sent a statement to Mrs T before then dated 16 March 2020. It said she needed to pay £221.74 by 2 April 2020. Agreement of the payment holiday meant payment of that amount was deferred until 16 July 2020. I think this appears to meet the requirements of the FCA's special guidance.

#### Second payment holiday

NewDay confirm Mrs T called them on 13 July 2020 requesting an extension to the payment holiday. NewDay have said they weren't able to agree an extension to the payment holiday. So, they agreed a new payment holiday instead, expiring on 16 October 2020. But they admit this wasn't properly explained to Mrs T. They confirmed the new holiday in a letter to Mrs T dated 20 July 2020. But this was after a new statement had been issued on Mrs T's account dated 16 July 2020. It said she needed to pay £217.28 by 3 August 2020. This was in addition to what had already been deferred. So, ordinarily Mrs T would need to have paid £221.74 on 16 July 2020 and £217.28 by 3 August 2020. But as a new payment holiday had been agreed, these wouldn't need to be paid until 16 October 2020.

To put things right, NewDay adjusted the arrears on Mrs T's account so that she would only need to pay £217.28 on 16 October 2020. They also paid compensation of £55 by way of an apology. I think this was the right thing to do here and the compensation paid feels fair, in these circumstances.

#### Second payment holiday expiry

Mrs T thought her second payment holiday expired in November 2020. On this point, I'm unable to agree. NewDay's letter of 20 July 2020 was clear about when the holiday expired. And they wrote to her again on 6 October 2020 to remind her of this. So, I'm not persuaded that the payment holiday had been agreed for longer. If NewDay's letter differed from what Mrs T understood, she had the opportunity to discuss and clarify this with them.

The next statement issued by NewDay was dated 16 October 2020. It said Mrs T needed to pay arrears immediately of £217.28. This was the amount requested in the statement dated 16 July 2020 which had been deferred under the second payment holiday. It also said Mrs T needed to pay £217.28 by 4 November 2020 – her normal payment. So, the total amount due was £434.28. But as Mrs T thought the payment holiday was for longer, she didn't pay what was due. NewDay sent her an arrears letter dated 2 November 2020 because they didn't receive the payment that was due on 16 October 2020.

#### Third payment holiday

When Mrs T contacted NewDay's collections team, they agreed another new payment holiday expiring on 16 December 2020. On that date, Mrs T would've needed to pay the arrears of £217.28 from the statement of 16 July 2020 plus the £217.28 due from the statement dated 16 October 2020.

Mrs T's further complaint relates to the calculation of this amount. As I've explained above, I believe NewDay did calculate this amount correctly as it relates to statements that had already been issued. Once a statement has been issued, the amount is due for payment. I realise Mrs T will be disappointed, but I can't reasonably find that NewDay made a mistake here when calculating what was owed.

#### Pay down plan

Mrs T says she wasn't aware there was a pay down plan in place with NewDay. The rules relating to persistent debt on credit cards were brought about following the FCA's Credit Card Market Study (CCMS) published in July 2016. The outcome of the study brought about changes in the Consumer Credit Sourcebook (CONC), part of the FCA's handbook. Under the new rules, businesses are required to take a series of escalating steps to help customers break the cycle of persistent debt and ensure those who can't afford to repay more quickly are given help.

NewDay have provided details of the letters they sent to Mrs T as part of their obligations under the CONC rule and guidelines. The requirements are that they must tell Mrs T if she's paid more in interest, charges and fees in the preceding 18 months than she'd paid off her borrowing. They should also explain that increasing payments will reduce Mrs T's borrowing costs and encourage her to contact them to discuss her financial circumstances. They should warn Mrs T about the implications of reaching a position of 36 months in persistent debt. NewDay sent this letter to Mrs T in September 2018.

They're also required to complete a further nine-month review of Mrs T's account and make it clear that if Mrs T's account was still classified as being in persistent debt, they'd present her with options to repay her balance more quickly. NewDay wrote to Mrs T about this in June 2019.

In January 2020, NewDay wrote to Mrs T explaining they would transfer her debt to a paydown plan in two months' time. NewDay wrote to Mrs T again in March 2020 as her account continued to meet the FCA's definition of persistent debt. They confirmed that Mrs T's balance had been moved to a four year pay down plan. This appears to comply with the FCA's rules and guidelines to ensure Mrs T's debt would begin to reduce over a reasonable time period.

While I appreciate Mrs T said she wasn't aware of the pay down plan, the evidence I've seen suggests that NewDay had clearly and regularly communicated the situation to her. I also can't reasonably say that they did anything wrong when they moved Mrs T's account to a

pay down plan. Having written to her previously, I think Mrs T had the opportunity to discuss any questions or concerns with them.

In summary, while NewDay admit they may not have clearly explained to Mrs T how the payment holidays operated, I believe the steps they took to address this were appropriate, together with the compensation paid. Ultimately, Mrs T benefitted from the maximum 6 months of payment deferrals permitted under the FCA's special guidance. But these are only deferrals. Upon expiry, amounts due under previously issued statements do immediately fall due.

I also think NewDay met the FCA's requirements for persistent debt when they ultimately moved Mrs T's debt with them to a pay down plan. And I think this was communicated clearly to her. In the event Mrs T continues to struggle to meet her financial obligations, I would encourage her to seek help and support from both NewDay and any of the free debt advisory services available.

### **My final decision**

For the reasons set out above, I don't uphold Mrs T's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs T to accept or reject my decision before 5 July 2022.

Dave Morgan  
**Ombudsman**