

The complaint

Mr C complains that NewDay Ltd has acted unfairly in issuing default notices on two accounts he holds with it and recording adverse information about those accounts with the credit reference agencies (CRAs).

What happened

The details of this complaint are well known to both parties, so I won't repeat them again here in detail. But in summary:

- Mr C had two credit card accounts with NewDay – Card 1 and Card 2
- In late 2021 he agreed a payment holiday for both accounts and then repayment plans for both accounts via a debt advice agency
- Mr C then complained about adverse information that NewDay had recorded with the CRAs about one of the accounts
- Subsequently the default process was started for both accounts, and Mr C complained that he had not been properly notified that this might happen
- NewDay considered Mr C's complaints and acknowledged it could have better explained the process regarding Mr C's initial payment holiday. It made a payment of £40 to Mr C to recognise the impact of this. NewDay also went on to acknowledge it hadn't sent one of the termination notices it should have, so it offered to pay Mr C £50 to recognize the impact of this error, but it didn't think it had done anything else wrong
- Mr C asked our service for an independent review and the investigator thought NewDay's offer was a reasonable way to resolve this complaint

Mr C didn't accept the investigator's findings, so the complaint has been passed to me to decide.

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.

To maintain his credit card accounts – and therefore avoid adverse information being reported to the CRAs – Mr C needed to make at least minimum repayments by certain due dates each month.

In October 2021 Mr C struggled with repayments as a result of being stuck overseas due to injury and illness. Initially NewDay agreed to offer him temporary help by suspending interest and charges until 27 December 2021. But Mr C then began dealing with a debt management agency, and in early November 2021 that agency put forward a request on his behalf for repayment plans on both of his NewDay accounts. NewDay agreed to the plans, for £1 per month for each account, with a review of the plans set for May 2022.

In my view NewDay's actions here were reasonable, it had been told that Mr C could only offer a token payment to the account – which suggested that he was in severe financial difficulties. So it agreed to accept a token payment each month for six months and to suspend interest and charges on his accounts. I haven't seen anything to suggest NewDay said this wouldn't impact Mr C's credit file. And I consider it would be reasonable for such plans to be reflected on Mr C's credit file given that they were for such a minimal amount and would be in place for an extended period of time.

I appreciate that Mr C says NewDay didn't make it clear that his accounts might default. But I've listened to recordings of some of Mr C's conversations with NewDay and NewDay explained the arrears on his accounts would continue to accrue and that as he was making such a small payment each month, there was still the possibility that his accounts could be closed and defaulted if the arrears reached a certain level.

On 29 December 2021 NewDay issued a default notice for Card 1. This notice explained that unless Mr C was able to repay the arrears on his account (around £167 at this stage) by 19 January 2022 then his credit agreement would be terminated and the full balance of his account would become due. NewDay also explained it would share details of the status of Mr C's account with the CRAs.

Mr C called NewDay to discuss this letter on 6 January 2022, so it's clear he received it in time to take action regarding repaying the arrears if he was able to. I appreciate that NewDay then failed to send the termination notice, but given that NewDay had clearly explained to Mr C the timeline of what would happen if he didn't pay the arrears on his account, I don't think the failure to issue the termination notice has materially disadvantaged Mr C here, he was still aware of what he needed to do to prevent his account from being terminated and ultimately defaulted.

On 11 January 2022 NewDay issued a default notice for Card 2. This notice explained Mr C had until 1 February 2022 to repay the arrears of around £175 or a termination notice would be sent and details of the status of his account would be shared with the CRAs. On 3 February 2022 NewDay then issued the termination notice saying that the full balance of this account was now due.

Mr C has said these notices were sent to him via secure messaging on NewDay's website, but that as no notification was sent to him via email or SMS he wasn't aware of the notices until it was too late. But Mr C was aware that NewDay might use the secure messaging service to send him important information about his accounts – he's told us he had asked NewDay to correspond with him via either email or secure messaging on the website. And I think given the situation he was in and that he'd been made aware of the possibility that his accounts might be terminated, he should have been regularly checking his messages about these accounts so he didn't miss any important information. And with all this in mind I'm satisfied that NewDay did enough to make Mr C aware of the situation with his accounts and what he needed to do to avoid the eventual defaults and termination.

So overall, I haven't seen any evidence to show that Mr C was told the plans he'd agreed wouldn't impact his credit file, and in my view NewDay did enough to make it clear to Mr C what the impact of the plans might be and what he would need to do to avoid any defaults. I acknowledge that NewDay didn't send Mr C one of the termination letters, but for the reasons I've explained I'm satisfied that this error didn't impact his ability to avoid the default if he was able to, so I'm satisfied that NewDay's offer to pay Mr C £50 to recognise the impact of this error is fair.

I understand the information recorded on Mr C's credit file will have an impact on him. But Mr C was missing contractual repayments to his accounts for an extended period of time, and was unable to bring those accounts back in order when requested to do so by NewDay. This is important account information which NewDay had a duty to record with the CRAs, and while I appreciate that the reason for Mr C's difficulties is that he has been unwell and is stuck overseas, this doesn't mean that NewDay isn't still obliged to record accurate information about how he is managing his accounts.

I accept this has been a difficult time for Mr C and he has my sympathies. However, I must review things objectively and have done so, I don't find NewDay has treated him unfairly. It follows this isn't a complaint I should uphold.

My final decision

I do not uphold this complaint. NewDay Ltd should now pay Mr C the £50 it has offered him if it has not already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 8 November 2022.

Sophie Mitchell
Ombudsman