

The complaint

Miss K says NewDay Ltd irresponsibly lent to her. She has requested that not only should the interest and late payment charges she paid on the accounts be refunded but she also thinks the debt should be written off.

What happened

This complaint is about two accounts provided by NewDay Ltd to Miss K.

Account A was opened in November 2018 with Miss K being given an initial credit limit of £500. The credit limit was increased in August 2019 to £1,500 and in January 2020 to £3,000

Account B was opened in November 2018 with Miss K being given an initial credit limit of £500. The credit limit was increased in June 2020 to £800.

In 2021, Miss K complained to NewDay Ltd to say that the accounts shouldn't have been opened for her because they weren't affordable. NewDay Ltd thought that it shouldn't have increased the credit limit on Account A in January 2020. Miss K brought her complaint to this service.

Our adjudicator thought that neither account should have received any increases to the credit limits. NewDay Ltd has agreed with that finding and has offered to make the payment of our standard redress as specified by our adjudicator, which I will detail later. So, in the absence of any argument about the merits of the complaint, I propose to say nothing more about them in this decision.

Miss K is not happy with the suggested redress and feels that her existing debts on the account should be written off, at least to the level of the original credit limits.

The complaint has therefore been passed to me.

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.

We've set out our general approach to complaints about unaffordable and irresponsible lending - including the key relevant rules, guidance and good industry practice - on our website.

I've read and considered the whole file, but I'll confine my comments to what I think is relevant. If I don't comment on any specific point it's not because I've failed to consider it but because I don't think I need to comment on it in order to reach what I think is the right outcome in the wider context. My remit is to take an overview and decide what's fair "in the round".

In the assessment the adjudicator explained how NewDay Ltd should put things right. In the extract from the adjudicator's assessment below, I've changed the account names to Account A and B as in the rest of this decision. And similarly, I've referred to the complainant as Miss K. The adjudicator said,

"How to put things right

As I uphold this complaint in part, I think to put things right, it's fair and reasonable for NewDay Ltd to refund any interest and charges incurred by Miss K as a result of the credit unfairly granted to them.

- I don't think the limit should have been increased from 21 August 2019 onwards. Therefore, NewDay Ltd should remove any interest and charges incurred after this date as a result of any increases.*
- That is, NewDay Ltd can only add interest accrued on the balance up to the credit limit of £1000 – Account A account £500 and Account B account £500, being the credit limit before 21 August 2019.*
- NewDay Ltd should work out how much Miss K would have owed after the above adjustments. Any repayment Miss K made since August 2019 should be used to reduce the adjusted balance.*
- If this clears the adjusted balance any funds remaining should be refunded to Miss K along with 8% simple interest* - calculated from the date of overpayment to the date of settlement.*
- If after all adjustments have been made Miss K no longer owes any money, then all adverse information regarding this account should be removed from the credit file from August 2019.*
- Or, if an outstanding balance remains, NewDay Ltd should look to arrange an affordable payment plan with Miss K for the outstanding amount. If the debt was sold to a third party, NewDay Ltd are to either repurchase the debt or liaise with the third-party to ensure the above steps are undertaken. Once Miss K has cleared the balance, any adverse information should be removed from the credit file.*
- I understand that Miss K currently has an outstanding balance and I would like to remind NewDay Ltd of its obligations to treat Miss K fairly if she is having difficulties meeting the repayments. If Miss K feels she has been treated unfairly, she is to discuss this with the NewDay Ltd first, and we can consider this as a separate complaint if she is unhappy with their response.*

**HM Revenue & Customs requires NewDay Ltd to deduct tax from any award of interest. It must give Miss K a certificate showing how much tax has been taken off if she asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax."*

I think that this is the correct redress for this case. So, I think that NewDay Ltd should put things right as detailed above, if it hasn't already done so.

Miss K thinks that the capital balance of both accounts should be written off, at least to the level of the initial credit limits on each card. Miss K said that she is in financial difficulty because of irresponsible lending. Miss K also thinks that NewDay Ltd made a mistake in giving her credit and shouldn't profit from their error.

But I think that Miss K has had the benefit of the goods she purchased. It wouldn't generally be reasonable to say that Miss K shouldn't pay the cash price for them. However, the redress directed above sets out that I'd expect NewDay Ltd to set up an affordable repayment plan for any capital that is outstanding. If Miss K demonstrates to NewDay Ltd that she isn't in a financial position to pay anything towards the capital balance for the foreseeable future I would expect them to treat her with forbearance, which may include considering whether writing off some or all of the capital would be appropriate.

Any redress I award should ensure that Miss K hasn't lost out financially as a result of NewDay Ltd's actions. Our service isn't the financial services regulator, so it isn't our role to punish businesses. I'm satisfied that the redress I've set out ensures that Miss K is appropriately compensated for NewDay Ltd making unfair lending decisions.

Putting things right

NewDay Ltd should put things right as detailed above.

My final decision

For the reasons set out, I'm upholding Miss K's complaint. NewDay Ltd should put things right in the way set out above, if it hasn't already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss K to accept or reject my decision before 26 October 2022.

Douglas Sayers
Ombudsman