

The complaint

Mr O is unhappy that NewDay Ltd reported missed payments to his credit file when he was on an agreed payment holiday.

What happened

Mr O found himself in financial difficulty and struggling to meet the contractual minimum payments required on his NewDay credit account. Mr O explained his situation to NewDay who agreed to a three-month payment holiday on Mr O's account. However, when the payment holiday finished, Mr O noticed that NewDay had reported some missed payments to his credit file which because of the payment holiday he didn't feel should have been reported. So, Mr O raised a complaint.

NewDay looked at Mr O's complaint. But they didn't feel they'd acted unfairly by making the reports to Mr O's credit file that they had, and so they didn't uphold the complaint. Mr O wasn't satisfied with NewDay's response, so he referred his complaint to this service.

One of our investigators looked at this complaint. They didn't feel that NewDay had made it clear to Mr O as to when he needed to make a payment to his account following the end of the payment holiday so as to avoid the missed payment markers that NewDay reported. Because of this, our investigator felt that NewDay should remove the missed payment markers from Mr O's credit file and make a payment of £100 to Mr O as compensation for the trouble and upset that Mr O had incurred.

NewDay didn't agree with the view of this complaint put forwards by our investigator, so the matter was escalated to an ombudsman for 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 issued a provisional decision on this complaint on 26 September 2021 as follows:

On 18 October 2020, NewDay sent a monthly account statement to Mr O which confirmed that a minimum payment of £141.47 was due on the account which would be applied for by direct debit on 12 November 2020. This statement also explained that Mr O's account was £75.71 over the agreed credit limit, and that a repayment of this amount to bring the balance back within the agreed credit limit was due immediately.

On 23 October, shortly after receiving the account statement, Mr O made a manual payment of £75.51 towards the account as requested. This left a balance of £65.76 due to be taken by direct debt on 12 November. However, when NewDay applied for the £65.76 on that date, the direct debit was returned because they weren't sufficient funds in Mr O's current account to enable it to be paid.

This meant Mr O's account fell into a position of arrears at that point, and this was confirmed by the November 2020 account statement which explained that a minimum payment of £221.50 was due to be taken on 11 December 2020 and that this balance consisted of £155.74 as the contractual minimum monthly payment due as well as the £65.76 arrears on the account carried over from the previous month. This statement also confirmed that Mr O's account was over the agreed credit limit once again, this time by £115.58.

On 20 November 2020, Mr O contacted NewDay and explained he was experiencing financial difficulties. As a result, NewDay agreed to a three-month payment holiday on the account during which time no fees or interest would be charged and during which Mr O wouldn't be required to make a payment towards his account. However, because of the arrears that were already present on Mr O's account, his account was reported to the credit reference agencies as being in a position of arrears at that time. And, given what I've explained above, this seems both reasonable and accurate to me.

During the payment holiday, Mr O did make a payment towards his account of £115.58, which he made on 15 January 2021. However, as per the November 2020 payment – issued before Mr O requested the payment holiday – the amount due on his account at that time was £221.50. And while the payment of £115.58 was sufficient to bring the overall balance of the account back within the agreed credit limit, a further £105.92 was required to clear the arrears that had accordingly accrued on the account up to that time.

Notably, when Mr O was first granted the payment holiday, NewDay sent him a letter, dated 20 November 2020, which explained the terms of the payment holiday. This included that if there was any amount due at the time the payment holiday started – which in this case there was – that Mr O would have to pay this immediately when the payment holiday ended.

NewDay also sent Mr O a letter dated 5 March 2021, shortly before the payment holiday was due to end, which also confirmed that any payment that was due before the payment holiday began would be due immediately upon the payment holiday ending.

Finally, when the payment holiday ended on 16 March 2021, NewDay sent an account statement to Mr O which advised that the next payment that would be requested by direct debit on 12 April 2021 was £144.92, but that this included arrears of £105.92 that were due immediately.

Considering the above, I feel that NewDay did clearly explain to Mr O that the arrears on his account would become due immediately once the payment plan came to an end. And as such, given that Mr O didn't make a payment to clear those arrears, but allowed them to remain present on the account for a month – until the direct debit payment scheduled for 12 April 2021 was made – it doesn't seem unreasonable to me that NewDay would report a missed payment for March 2021 to Mr O's credit file. And this is because NewDay reporting a missed payment seems to me to be an accurate reflection of what actually took place.

Mr O may contend that he acted in good faith by allowing the direct debit payment to resume following the end of the payment holiday, and I note that NewDay's correspondence to Mr O referenced above do include the statement that if Mr O doesn't have a direct debit set up on his account – which Mr O did – that he should call NewDay to make payment.

But in all three instances referenced above, NewDay specifically stated that any amount that had already been due on the account before the payment holiday started would become due immediately once the payment holiday ended. These included the 16 March account statement, which confirmed both that the £105.92 arrears were due immediately and that a direct debit payment wouldn't be attempted for a further month. As such, I feel that it was incumbent on Mr O to have contacted NewDay immediately and to have cleared those arrears if he was able to do so.

Like all credit providers, NewDay have an obligation to make accurate reports to the credit reference agencies. In this instance, while I can appreciate how Mr O might not like to have missed payments reported to his credit file, it seems to me that the missed payment reports that NewDay have made to Mr O's credit file are accurate. And as per the above, I'm also satisfied that NewDay did explain the need to immediately clear the arrears on the account once the payment holiday ended to Mr O.

All of which means that I find it difficult to conclude that NewDay have acted unfairly towards Mr O as he feels is that case here, and it follows from this that my provisional decision will be that I will not be upholding this complaint.

In my provisional decision letter, I gave both Mr O and NewDay the opportunity to provide any comments or new information they might wish me to consider before I issued a final decision.

Neither Mr O or NewDay responded to my provisional decision, and so I see no reason not to issue a final decision on the same basis as that explained above. And I confirm that my final decision is that I do not uphold this complaint accordingly.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 22 November 2022.

Paul Cooper
Ombudsman