

## The complaint

Ms T complains because she believes NewDay Ltd retook a sum of money from her that had previously been refunded to her credit card account.

## What happened

Ms T had a credit card issued by NewDay. She cleared her balance in full every month via direct debit.

In January 2020 Ms T paid £111.04 to an airline for flights using her credit card.

The airline went out of business before the flights took place. Ms T asked NewDay to step in and help in March 2020.

NewDay said it raised a chargeback in March 2020 (a mechanism a bank can use to recover sums paid to a merchant) and credited the sum of £111.04 to Ms T's account pending the outcome of the chargeback. NewDay has said the chargeback was not defended and so the credit was never retaken from Ms T's account.

In May 2022 Ms T received a refund on an unrelated transaction for £113.80. There had been no spending on her credit card in the previous month. So, Ms T said she assumed, having cleared her balance in full the previous month, that the refund would put her account in credit to the sum of £113.80.

Instead however, Ms T's May 2022 statement showed that NewDay adjusted Ms T's account and used the refund to offset what it said was an outstanding balance of £111.04 – leaving a small credit balance on her account of £2.76.

Ms T complained to NewDay as she believed it had retaken the sum relating to the flight from two years earlier from her. She said the refund she received in May 2022 related to something she'd bought for a friend and had been earmarked for paying that person back.

NewDay said it hadn't retaken the sum from Ms T. But it had, in error, been collecting £111.04 less than her full balance every month since April 2020. So, it said because Ms T still owed this sum, it made an adjustment to the account when it entered a position of credit in May 2022.

Our investigator thought NewDay should pay £111.04 to Ms T as he wasn't persuaded Ms T owed that sum to NewDay when it adjusted her account.

NewDay didn't agree with the investigator and asked an ombudsman to review the complaint.

I contacted the parties in April 2023 to explain why it appeared to me that NewDay hadn't taken the money from Ms T unreasonably. I said, in summary:

- Ms T's April 2020 monthly statement showed that Newday credited her with £111.04 in March 2020 after she asked for its help to get a refund of the cost of her failed

flights.

- From that point onwards the sum NewDay had collected from Ms T every month was £111.04 less than the sum required to clear her balance in full. This was an error by NewDay where it had both credited Ms T's account with the refund and also held the same amount back from the sum it collected from her every month.
- Because this situation had never been properly addressed by NewDay, it continued for two years and Ms T still owed it £111.04 in May 2022.
- So, when NewDay offset the refund Ms T received on an unrelated transaction in May 2022 against this sum, it was correcting the account rather than retaking the refund it had provided two years earlier.
- NewDay had paid compensation of £80 to Ms T for its error and this looked on the face of it to be fair compensation for its error.

Ms T disagreed with what I said and asked me to issue a decision on her complaint.

### **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'd like to assure Ms T that I've carefully studied all of her monthly statements between January 2020 and June 2022. But having done so, I've not seen anything that makes me think NewDay took £111.04 from Ms T when it shouldn't have

It's clear enough to me from Ms T's monthly statements that what NewDay did here was credit her account with the refund for the flights but also hold the same amount back from the sums it was collecting from her every month. The latter of these is what a bank will sometimes do while a transaction remains in dispute so that interest does not accrue on the transaction. However, because NewDay had already credited the refund to Ms T, it need not have done this as well.

It appears NewDay then forgot to take the sum out of dispute. So, it continued to take £111.04 less than the total balance from Ms T every month for around two years.

I've tried to bring this to life better in the following simplified hypothetical scenario.

- Say Ms T paid £50 for a flight in January 2020.
- The airline went bust in March 2020 and Ms T asked her bank to help her get it back.
- The bank issued a credit to Ms T's credit card account of £50 in March 2020 having successfully recovered it from the airline via chargeback.
- Ms T spent £150 that month (and cleared her account balance in full in the previous month so owed no interest). So, to clear her balance in full the following month, Ms T would need to pay her bank £100 (£150 spending less the £50 credit)
- The bank, in error, asked Ms T to pay £50 less than this on her monthly statement as it had marked £50 as in dispute still. So, it only asked Ms T to pay £50 – which she did.

- Ms T's balance for that month should have been £100, not £50. So, after paying what the bank had asked her to, she was £50 short of clearing her balance in full.
- The following month Ms T spent £200, added to the £50 the bank didn't take the previous month, the sum required to pay her balance in full was £250.
- The bank only asked Ms T to pay £200 that month on her monthly statement.
- This same pattern continued every month for two years.
- Eventually Ms T didn't spend anything one month, having paid everything the bank had asked her to the previous month (i.e her full balance less £50). She received a refund on an unrelated transaction for £52 in that month also.
- The bank uses most of that £52 to pay off the £50 it had incorrectly held in dispute for two years.
- The correct position on the account therefore is that it should be in credit of £2.

While the position Ms T found herself in was clearly the result of an administrative error by NewDay, I don't think it meant NewDay acted unreasonably when it offset the credit on the account against the outstanding balance as Ms T did owe £111.04 to NewDay. I recognise Ms T thinks she has lost out on this sum and paid for flights she didn't receive. But I assure her this isn't the case and that from what I have seen her account looks to be in the position it should be in i.e. she has received a full credit for the cost of the flights that has not been retaken by NewDay. Ms T's statements also show that no interest was charged on the £111.04 while it was held in dispute. So, she hasn't lost out in that way either.

Nevertheless, I recognise that it took NewDay far longer than it should have to realise what had happened. And when it did eventually make the appropriate correction, I can understand why Ms T was disappointed that a sum she thought she'd be able to use to pay back her friend was not now going to be available for her.

NewDay provided compensation of £80 for the error. I think this fairly reflects the distress and inconvenience Ms T has said she experienced, and the sum of money involved. I don't find therefore that NewDay has to do anything else in respect of her complaint.

### **My final decision**

My final decision is that NewDay Ltd has done enough to resolve Ms T's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms T to accept or reject my decision before 7 June 2023.

Michael Ball  
**Ombudsman**