

The complaint

Mr H has complained that NewDay Ltd should have applied defaults to four credit card accounts sooner than it did.

What happened

Mr H had four credit cards which he stopped making any payments towards between August to October 2021. He thinks that NewDay should have applied defaults to the accounts after three months of non-payment, in line with what his other creditors had done. Because NewDay delayed in registering the defaults, this will have a longer impact on his credit file and finances.

Our investigator partly upheld the complaint, saying that NewDay should have followed its own policy of defaulting accounts after 180 days of arrears. She concluded that, as two of the credit card accounts had been defaulted within six months, that was fair and reasonable. However, one account (ending 7283) was defaulted at seven months and another (ending 6144) at ten months. She therefore recommended that NewDay should amend Mr H's credit file in relation to these two accounts, to show them as defaulting at six months.

Mr H accepted the investigator's view. NewDay disagrees with the investigator's opinion and so the complaint has been passed to me for a 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.

As our investigator has explained, if the default on account 7283 had been applied after six months of arrears, that would have been in March 2021. But NewDay didn't default the account until April 2021.

If the default on account 6144 had been applied after six months of arrears, that would have also been in March 2021. But NewDay didn't default the account until July 2021. NewDay says the greater delay in this instance was because Mr H had begun making a nominal 'fair treatment plan' payment of £18 per month from March 2021, which caused a slight stalling in its processes.

NewDay says it acted fairly in applying the default markers when it did. I take its point that it doesn't feel that it has done anything too wrong. But in the particular circumstances of this case, I think it could have been more proactive in taking action sooner.

Our investigator talked about the guidance set out by the Information Commissioner's Office (ICO) which explains that it would be reasonable to register a default after three months of arrears and normally by the time the account is in six months of arrears. NewDay has also referred to this when defending its position. In particular, it has highlighted the wording that accounts should '*normally*' be defaulted after six months, meaning that it is not a hard and fast rule. But the guidance also talks about the need to consider the time when the

relationship between the parties has broken down as a relevant factor in taking corrective action.

Mr H's first missed payment on both accounts was in September 2020. He also had two other credit cards that he stopped making payments on shortly afterwards. And although he did start to make regular payments towards account 6144, this was not until March 2021 and the amount he was offering was not enough to enter into an agreed payment plan.

NewDay sent out a default notice for account 7283 on 1 December 2020 and terminated the agreement on 24 December 2020. It sent the default notice for account 6144 in January 2021 and terminated the agreement in February 2021. I think NewDay would have likely known by this point that Mr H was never going to be in a position to get back on track with his arrears and payments.

Overall, I'm satisfied that a breakdown in the relationship had occurred by February 2021 at the latest. So it would have been fair and reasonable for NewDay to default the accounts in March 2021, after they had been in arrears for six months. By not doing so, it acted unfairly.

Putting things right

NewDay should amend Mr H's credit file to record the defaults on accounts 7283 and 6144 as having taken place in March 2021.

My final decision

My decision is that I uphold this complaint and require NewDay Ltd to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 6 April 2023.

Carole Clark

Ombudsman