

The complaint

Ms B complains NewDay Ltd (NewDay) defaulted her credit card account without her knowledge.

What happened

Ms B says she took out a credit card account in early 2018, with an online retailer she had held a relationship with for some time, as a back-up facility for emergencies. Ms B says in January 2023 she discovered the back-up credit card had been defaulted with a relatively small outstanding balance - something she knew nothing about. Ms B says she complained to NewDay, who apologised to her but refused to remove the default from her credit file.

Ms B says she never received any correspondence either by email or post from NewDay and can't understand why the subscription payment for the online retailer changed to be paid from her new back up credit card without her authority or knowledge, given it had previously been paid via her bank account.

Ms B wants NewDay to remove the default from her credit file as it has prevented her from obtaining favourable credit terms and caused her considerable stress and upset.

NewDay says when Ms B signed up for the credit card for the online retailer, she was informed that all transactions via that retailer would be debited from her new credit card as this was now the default payment method for that retailer. NewDay says it wrote various letters to Ms B explaining the credit card account was in arrears and the consequences of that, and additionally it sent a default notice in writing to Ms B also informing her the debt was being sold to a debt collection agent.

While NewDay accepts it didn't explain the complaints process clearly to Ms B when she contacted them about the matter, it has offered her £55 by way of apology. That said NewDay didn't feel it made any errors by defaulting Ms B's credit card account.

Ms B wasn't happy with NewDay's response and referred the matter to this service.

The investigator looked at all the available information but didn't uphold the complaint. The investigator says he can only consider NewDay's involvement here as a financial service provider and not the online retailer. The investigator says as part of the credit card account opening process, Ms B would have been informed the new card provided would now become the new default payment method for the online retailer.

The investigator says he also had evidence that NewDay had written several letters to Ms B regarding the arrears on the credit card account and it had acted fairly when it defaulted her account in July 2019, when no response was received. The investigator pointed out NewDay has a responsibility to accurately report its customers account activity to the relevant credit reference agencies. The investigator says no errors have been made by NewDay so he couldn't ask it to remove the default here.

Ms B didn't agree with the investigator's view and asked for the matter to be referred 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.

Having done so, I won't be upholding this complaint and I will explain how I have come to my decision.

I can understand it would have been upsetting for Ms B to discover her online retailer credit card account had been defaulted even though she had never intended to make use of the account.

When looking at this complaint I will consider if NewDay acted fairly when it defaulted Ms B's credit card account and registered this with the relevant credit reference agencies.

Both Ms B and NewDay are aware of the background to this case so I don't intend to repeat everything that's been said before - other than to say Ms B's complaint centres around the fact NewDay defaulted her credit card account even though she had no knowledge that it would be used for the online retailer's subscription and was never informed of any missed payments by NewDay.

While I have some sympathy with Ms B here as it's clear it wasn't her intention not to make the payments to her credit card account, my role here is to determine whether or not NewDay have made any errors when it defaulted Ms B's credit card account and here I can't say it has. I say this because I have been provided with evidence from NewDay that shows when Ms B opened her online retailer credit card account, a welcome pack was sent to her home address, which stated that this new credit card would become the new default payment method for that retailer. So here it's fair to say even if Ms B previously paid any subscriptions or purchases by a different payment method, this wouldn't be the case going forward.

Additionally, I have been provided with further evidence by way of copies of letters written to Ms B and importantly screen shots of back-office records from NewDay, that again confirm multiple letters were sent to Ms B's home address, starting in January 2019 through to March 2019 which explained the missed payments, arrears and defaulting of the account. While Ms B says she never received any of these letters or welcome pack, I can't hold NewDay responsible as to why none of these written communications were received by Ms B and I'm satisfied in all probability these were sent to Ms B.

While Ms B has told this service she never registered for an online account with NewDay, which is why she never received email correspondence, it still remains her responsibility to manage and monitor her credit card account – in any event the arrears and notice of default letters and communications were sent by NewDay here in writing, as previously explained.

Ms B says NewDay agreed with her complaint but have refused to remove the default, but that's not the case here as NewDay have only accepted it didn't handle the telephone call when the complaint was made as it should have, and it offered Ms B £55 by way of apology for that - not any wrong-doing concerning the default.

Like the investigator, I can only consider NewDay's actions here and not if the online retailer has justifiably claimed the payments it did – that would be something for Ms B to take up directly with them given the time that has passed.

While I have some sympathy with Ms B here, I am satisfied NewDay acted reasonably, for the reasons I have already explained, and while Ms B feels strongly about the account opening process and communication of that, it's not my role to tell NewDay what procedures and processes it must adopt in those circumstances.

While Ms B will be disappointed with my decision, I won't be asking anymore of NewDay.

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 Ms B to accept or reject my decision before 19 December 2023.

Barry White
Ombudsman