

The complaint

Miss M complains that NewDay Ltd unfairly defaulted her account after agreeing to put it on hold.

What happened

Miss M was provided with a credit card by NewDay which she explained was being used and paid for by a family member. Sadly, the family member passed away suddenly in December 2018 causing her a great deal of distress. Miss M received a letter in January 2019 about a missed payment and contacted NewDay. She explained she couldn't make the payment noting she was studying and not in employment and was also suffering with poor mental health. She says NewDay said it would look to put her account on hold for six months.

Miss M then received a default notice dated 26 February 2019. She contacted NewDay in March 2019 and says she was told to ignore this. The six-month hold was applied to her account, and she received a letter confirming this. However, Miss M then received a letter saying her account would be terminated and that the full balance needed to be repaid. She contacted NewDay and was told her account hadn't been put on hold. Miss M then offered to pay £20 a month but her account was defaulted and sold to a third party.

NewDay issued a final response letter dated 23 May 2023 saying that Miss M hadn't maintained her payments and the default had been applied in line with the account terms and conditions. It said that Miss M had been sent statements that detailed the arrears on her account and that when an account falls more than 60 days into arrears it is required to act to prevent its customers falling further into debt. It said Miss M was sent a letter dated 14 March 2019 saying it had terminated her agreement and a further letter dated 12 June 2019 notifying her that a default would be applied to her credit file.

Our investigator didn't think that NewDay had provided the service it should have. He noted that Miss M was proactive in contacting NewDay and that NewDay agreed to put her account on hold but then terminated her agreement and registered a default. He thought NewDay should have been clearer when communicating with Miss M about its intended actions. Because of this he thought Miss M should be paid compensation and noting the distress this issue caused at an already very difficult time for her he recommended a payment of £300.

Regarding the registering of a default, our investigator noted Miss M's financial situation at the time and said that based on the information received she couldn't significantly reduce or repay the debt. Therefore he didn't think that NewDay was wrong to apply the default to her account.

Miss M didn't agree with our investigator's view. She didn't think that NewDay had treated her fairly by applying the default. She provided further evidence showing receipts of money into her account which she said she was saving to pay off the NewDay account once the six-month hold had been lifted.

NewDay responded to our investigator's view saying that the six-month arrangement was set

up on 15 March 2019 but as no payments were being made under the plan arrears continued to build. It said that the letter sent about the plan said that Miss M's credit file would be affected. It noted Miss M's comment that she was told on the call that it wasn't intending to register a default but said the call was no longer available. It said that Miss M couldn't repay the amount owing on the account and so the correct process was followed in terms of the default being applied and the account sold. It sympathised with Miss M's situation and said it would agree to pay £100 compensation but didn't agree to pay £300.

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 am sorry to hear of the distressing circumstances that Miss M has experienced and I do not underestimate the additional upset she was caused at the time by the issues with her NewDay account. But for me to uphold this complaint I would need to be satisfied that NewDay had done something wrong or treated Miss M unfairly.

Miss M received a letter in January 2019 about a missed payment on her credit card. This was shortly after the sudden death of a family member and Miss M has explained that it was that family member who used and paid for the card. Therefore, I can understand how distressing it would have been for her to realise there was an amount outstanding on the card. However, as the credit card was in Miss M's name NewDay was correct to inform her about the outstanding balance and missed payment.

Following receipt of the letter Miss M contacted NewDay to explain her situation including that she couldn't make the payment due to being at university and not employed. The call notes show that the late fee was removed as a gesture of goodwill and an income and expenditure form was sent out. At the time while Miss M said she thought a hold had been applied to her account it doesn't appear that this happened.

Miss M was sent a default notice dated 26 February 2019 and she contacted NewDay on 15 March 2019. The call notes from this time show that following the income and expenditure assessment Miss M had no disposable income. A six-month hold was placed on her account. I find this a reasonable response to Miss M's situation.

Miss M has said she was told that a default wouldn't be applied during the hold period. Unfortunately, a recording of the call is no longer available so I cannot say what was said. But I accept that Miss M thought following this call that her account wouldn't be defaulted, and she didn't need to take any further action. However, Miss M then received letters saying that her account had been terminated and the full balance was due, and a default would be recorded.

Having looked through the evidence provided including the call notes and Miss M's testimony I accept that Miss M left the calls in January and March 2019 thinking that no further action would be taken on her account for six months. NewDay has said the letter sent in March 2019 noted that Miss M's credit file would be affected but this letter says that NewDay will let the credit reference agencies know she is on a payment plan, not that further action could be taken regarding registering a default.

Given the above, I don't think that NewDay provided the service it should have. Miss M was experiencing a very stressful situation and she explained this to NewDay. NewDay placed her account on hold which I find reasonable, but it doesn't appear to have informed Miss M that the arrears would continue to build and that her account was still at risk of default. In fact, Miss M says that she was told her account wasn't at risk of default. Given the upset

caused by the unclear and potentially incorrect information given I think Miss M should be paid compensation.

Our investigator recommended a payment of £300. Given Miss M's circumstances at the time (which she made NewDay aware of) I accept that the confusion about this account caused her a significant amount of distress at an already very difficult time. Miss M has explained she was in poor mental health and the medication she was on, so in this case, I find that £300 compensation is reasonable.

Miss M feels that NewDay unfairly applied the default to her account. I can understand why she feels this, but I also accept that as she wasn't making payments towards the account then the arrears were increasing and NewDay was right to take action to prevent Miss M getting into further debt. Miss M has provided details of payments she was receiving into her account which she says she was saving to pay the credit card off when the hold was lifted. But I find it reasonable that had she had money available then she would have contacted NewDay about this and made payments at the time.

NewDay carried out an income and expenditure assessment on Miss M in March 2019 and she didn't have any disposable income. She had explained she was at university and so it didn't appear that her circumstances were likely to change significantly in the short term. As she couldn't make payments towards the account, I do not find that I can say NewDay was wrong to take further action. NewDay is required to provide accurate information to the credit reference agencies and in this case, I do not find I can say that NewDay applied the default incorrectly. Because of this I do not require it to remove the default from Miss M's account.

In conclusion, I do not find that Miss M was provided with the service she should have been when she reached out to NewDay for help and she should be compensated for this. But I do not find I can say NewDay was wrong to apply the default.

Putting things right

NewDay should pay Miss M £300 compensation for the distress and inconvenience caused while she was trying to set up an arrangement on her account.

My final decision

My final decision is that NewDay Ltd should take the action set out above in resolution of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 3 January 2024.

Jane Archer
Ombudsman