

The complaint

Mr H complains about NewDay Ltd's handling of his credit card account.

What happened

Mr H had a House of Fraser (HoF) credit card issued in partnership with NewDay. In August 2022, NewDay wrote to Mr H to explain the partnership was ending and from November 2022 his account would be converted to a 'Pulse' account. It told Mr H he would need to activate a new card within two months. But it didn't send him a new card, so he was unable to do so. Mr H called NewDay to say he'd not received the new card, but by then, it had put his account into a "*paydown plan*" due to persistent debt, so it couldn't issue a new card. This meant Mr H could no longer use his credit card so he complained.

NewDay looked into his complaint and issued a final response letter. It said there had been an error at its fulfilment centre which meant Mr H's card had never been sent out. And because of the paydown plan, it couldn't do so now. NewDay said once the paydown plan was cleared, it would review the situation and decide whether it could continue to provide the credit facility. To recognise the poor service he'd received, NewDay refunded two months interest (around £170) and paid him £130 compensation.

Mr H continued with the paydown plan and cleared it. He asked NewDay to send him a new card and lift the restrictions on it. NewDay said it couldn't remove the restriction on the account or issue a new card as it is managed by a "back office team". It couldn't tell him when a decision would be made and said he'd exhausted NewDay's complaints process.

As Mr H was unhappy with NewDay's actions, he referred his complaint to our service. It was passed to one of our investigators who asked NewDay to provide its file for the complaint. NewDay did so and, after its own review, offered a further £50 compensation for the problems Mr H experienced. Our investigator put that to Mr H, but he rejected the further offer and wanted the complaint to progress to investigation. He wanted the account to be reinstated, an apology and additional compensation.

Our investigator continued to look into the complaint. He concluded NewDay had acted reasonably in informing Mr H that his account was in persistent debt and by implementing the paydown plan. Our investigator felt that NewDay's payment of £170 or so interest, £130 compensation plus a further £50 offered, was a reasonable way to resolve the complaint.

Mr H didn't agree with our investigator. As there was no agreement, 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.

I'm aware I've summarised this complaint briefly in less detail than has been provided. No discourtesy is intended by this. Instead, I've focussed on what I think is the heart of the

matter here. That is how NewDay handled Mr H's account around the time of the switch over and the paydown plan.

Mr H's HoF card was issued by NewDay and, as that partnership ended, his account was rebranded to Pulse. So his relationship had been with NewDay for several years prior to this switch.

The industry regulator, the Financial Conduct Authority (FCA), say that when a consumer has paid more in interest, fees and charges than they've repaid towards the capital they owe over the previous 18 months, they should be considered as being in persistent debt. It sets out a number of steps a lender should take to make consumers aware of the consequences of persistent debt and after 36 months, steps lenders should take to assist the consumer.

NewDay wrote to Mr H about persistent debt on 14 May 2021 explaining that in the previous 18 months, he'd paid more in interest and charges than he'd repaid. It suggested he should pay more towards the card if he can and said that if the account was still in persistent debt at 36 months, his card may be frozen. In line with the FCA regulations, NewDay wrote again on 14 February, 14 September and 14 October 2022, each time explaining that Mr H's account would enter a paydown plan if it remained in persistent debt. Ultimately, NewDay wrote to Mr H on 14 December 2022 to say his account had been moved into a paydown plan. It wrote two days later explaining he would no longer be able to spend on the account.

Given the steps taken above, I don't think NewDay acted unfairly in implementing the paydown plan due to Mr H's HoF / Pulse account being in persistent debt.

Amongst this however on 9 August 2022, NewDay wrote to Mr H about the change from HoF to Pulse. As his HoF account was still active at that point, I understand why he was concerned that he didn't receive the Pulse card following the switch in November. While NewDay has said he didn't receive the card due to an error at its fulfilment centre, I think it's more likely the card wasn't sent as the account was about to hit the final stage on the persistent debt process.

Mr H has also complained that the customer service team was unable to reissue his card once he got the account out of the paydown plan. And I believe he's subsequently repaid the entire balance on the account. It is for NewDay to decide if and when it is happy to issue a new card to a customer.

NewDay has apologised to Mr H for the problems he encountered and made payments of approximately £300 (£170 in interest and £130 compensation). And, since our involvement, it has offered a further £50 compensation.

Mr H has rejected NewDay's offers. He's provided a letter dated 18 November 2022 saying his account was "*no longer in immediate risk of persistent debt*". But the account number on that letter refers to another account Mr H had with NewDay under another brand (not HoF or Pulse). While I understand the confusion caused to Mr H given the timing of the letter, I don't think NewDay made a mistake in sending it.

Putting things right

I think the offers made by NewDay to Mr H are a fair and reasonable way to resolve his complaint. NewDay should ensure it has already paid the interest refund and initial compensation and pay him the additional £50 it offered.

My final decision

I uphold this complaint. NewDay Ltd should put things right as I've 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 9 September 2024.

Richard Hale
Ombudsman