

The complaint

Mr T complains that NewDay Ltd failed to collect his direct debits in line with his instructions which led to missed payments and adverse entries on his credit file. He's also unhappy with the time taken to resolve the issue.

What happened

I issued my provisional decision on this case on 23 January 2024. I wanted to give both parties the chance to respond before I came to my final decision

I have copied my provisional decision below, which also forms part of this final decision.

Mr T took out a NewDay credit card. In April 2022 Mr T contacted NewDay to complain that it hadn't taken his direct debit payments for February and March 2022. NewDay considered his complaint. It looked to rectify the issue with the direct debit payments and paid him £20 in compensation.

Mr T contacted NewDay again in May 2022 as his direct debits still weren't being collected and he was having to make manual payments. NewDay issued Mr T with a further response and again issued him with a further £20 in compensation for the issues with collecting his direct debits, it also agreed to refund the late payment charge for June 2022 and remove any adverse entries on his credit file. NewDay felt the issues were resolved and Mr T's direct debit would be collected as expected.

However, the issues continued, and Mr T continue to contact NewDay to get the direct Debit issue rectified. NewDay finally identified the issue in May 2023 and was able to resolve it by June 2023. Following this it removed some late fees and also compensated Mr T a further £70. Subsequently Mr T's direct debits have been collected as expected.

Mr T remained unhappy so he referred the complaint to our service. He didn't think the amount offered fairly compensated him for the distress and inconvenience caused. He said he'd not been able to apply for a mortgage he wanted and due to the time taken the interest rates had now increased. He wanted NewDay to write off the balance he owed on the credit card.

Our investigator considered the complaint and the information provided. NewDay contacted the investigator and said it had reviewed the complaint again and wanted to offer a further £150 in compensation for the distress and inconvenience caused between April 2022 and May 2023. Our investigator felt the offer of a total of £260 fairly reflected the distress and inconvenience caused to Mr T.

Mr T didn't agree and asked for the complaint to be referred to an ombudsman to make a final decision.

What I've provisionally 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 currently think this complaint should be upheld and NewDay need to do more to compensate Mr T for his losses and the distress and inconvenience caused. I'll explain why.

NewDay have accepted it made an error and the direct debit should have been set up correctly sooner. Mr T has confirmed that his account had enough funds to pay the direct debit and I have no reason to doubt this. NewDay have said it has identified an issue with Mr T's account, but this wasn't rectified until June 2023, when finally, a successful payment was taken by direct debit.

The total time taken to correct this issue from when the initial payment should have been taken in February 2022 to when the issue was finally rectified in June 2023 was 16 months. During this time Mr T tried on numerous occasions to get the issue corrected with NewDay. He's often been charged late payment fees, over limit fees and unsuccessful direct debit fees and most if not all of these fees seem to have been as a result of NewDay not taking the direct debit payment as it should have.

Mr T was sent numerous letters about the late payments and arrears on his account which he had attempted to pay on time by setting up his direct debit. In the circumstances, I'm satisfied this would have been significantly distressing and frustrating for him especially as he'd been doing all he could to get the payments to NewDay. I can see that once the direct debit was set up correctly all his payments have been made on time, so I'm persuaded had NewDay set this up correctly to collect his payments from February 2022 Mr T would have made all his payments on time.

NewDay hasn't provided any reasons as to why it took so long to rectify this issue so I'm satisfied it needs to do more than it has offered to compensate Mr T. If things had happened as they should have Mr T wouldn't have had to pay any additional charges and wouldn't have had any adverse information recorded on his credit file in relation to this issue.

To put things right NewDay should:

- Refund Mr T any late payment, overlimit and unpaid direct debit charges from February 2022 to June 2023 that it hasn't refunded already*
- Treat the account as if the late payment, overlimit and unpaid direct debit charges hadn't happened including refunding any interest charges that may have been applied to his account due to these charges*
- Remove any adverse entries related to this issue it made on Mr T's credit file from February 2022 to June 2023*
- Pay Mr T a total of £500 for the distress and inconvenience caused over the 16 months it took to rectify the issues.*

I have considered what Mr T has said about applying for a mortgage, but I haven't seen any evidence of what mortgage, if any Mr T applied for. I've also not been given any details of why, if he did apply for one, he may have been refused it or charged a higher rate. So in the circumstances I currently don't think NewDay needs to do anything further in regards to this point made by Mr T.

Mr T responded to my provisional decision to say he agreed with the recommendations.

NewDay didn't respond, and so I've assumed it has nothing further for me to consider.

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 considered everything again, it is still my decision to uphold this complaint.

Neither party has given me any additional information for me to consider, and so I see no reason to depart from the findings in my provisional decision.

Putting things right

To put things right NewDay should:

- Refund Mr T any late payment, overlimit and unpaid direct debit charges from February 2022 to June 2023 that it hasn't refunded already
- Treat the account as if the late payment, overlimit and unpaid direct debit charges hadn't happened including refunding any interest charges that may have been applied to his account due to these charges
- Remove any adverse entries related to this issue it made on Mr T's credit file from February 2022 to June 2023
- Pay Mr T a total of £500 for the distress and inconvenience caused over the 16 months it took to rectify the issues.

My final decision

For the reasons set out above, I uphold Mr T's complaint. NewDay Ltd should put things right for Mr T by doing what I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 20 March 2024.

Jag Dhuphar
Ombudsman