

The complaint

Mr K complains about the information NewDay Ltd ('NewDay') gave him about his credit card PayDown Plan. He is unhappy with how NewDay have engaged with him during this time.

To put things right Mr K is looking for NewDay to increase the offer of compensation they have made to him.

What happened

Mr K had a credit card account with NewDay. In March 2020 Mr K entered a PayDown Plan with NewDay to help him pay off his balance as he was in persistent debt. Mr K agreed to pay a higher minimum payment of £82.12 over 48 months. He was told on his statements that this would pay off his balance of £2,241.76 within four years, taking into account interest.

Mr K noticed his balance would not be paid off in full at the end of four years by making the requested payments. He contacted NewDay on 7 December 2020 to question this, but NewDay didn't think anything was wrong.

Mr K raised the issue with NewDay again on 28 November 2022 but NewDay told him the payments would clear the balance, so Mr K made a complaint to NewDay that the PayDown Plan instalments were wrong. However, NewDay did not register this complaint. When Mr K rang again on 4 December 2023, towards the end of the PayDown Plan, his complaint was then raised and backdated to 28 November 2022.

NewDay agreed there would be a balance left at the end of the PayDown Plan due to an 'unknown technical incident'. They upheld Mr K's complaint. They wrote to Mr K to say his account would be credited with payments of £40 for the distress and inconvenience caused and a further £33.50 towards interest owed on the account. They said that his last payment under the PayDown Plan would now be reduced to £76.44 and this payment would clear the balance of his debt. Those credits were applied, and the debt was repaid by March 2024.

Mr K was not happy with NewDay's response to his complaint, and he contacted our service. He felt the interest refund should be reconsidered. He also thought the payment of £40 for distress and inconvenience fell far short of what he expected, given the number of times he had contacted NewDay and how he had been treated. He said that he had been made to feel he was wrong when he had been right from the start. He also said that although NewDay's final response letter invited him to call to discuss his complaint, when he did call he was told nobody would speak with him.

Our investigator thought NewDay had acted fairly and reasonably in dealing with Mr K's complaint, because the refunds on his account meant he would not have a balance left to pay after the PayDown Plan ended.

Mr K did not accept our investigator's view and asked for an ombudsman to give a decision.

My provisional findings

In June 2024 I issued a provisional decision for this complaint explaining why I thought Mr K's complaint should be upheld, as follows:

"I've considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. In doing so I am minded to reach a different conclusion to our investigator, and I'll set out why.

I've looked at the relevant rules and guidance NewDay should follow. These are set by the regulator – the Financial Conduct Authority - in its Consumer Credit Sourcebook, which can be found in the Financial Conduct Authority's Handbook. This says that repayment options must be offered to people who are in persistent debt, so that debts are paid off within a reasonable time – which is usually three to four years. There would have to be exceptional reasons for a repayment plan to last longer than four years.

I can see from the March 2020 statement sent at the start of the PayDown Plan that £82.12 was expected every month. On the second page of that statement, regarding PayDown Plans, Mr K was given the following information:

"Your PayDown Plan instalment amount has been calculated to ensure you clear your existing persistent debt balance (including interest, fees and charges) within 4 years. You need to pay the Payment Requested amount shown on your statements each month, this will include the PayDown instalment amount."

So I think Mr K could reasonably expect that his debt would be paid off within four years if he stuck to the PayDown Plan, and that was NewDay's intention.

It is not in doubt that £66.10 was going to be left over at the end of the plan. NewDay's final response letter suggests this was because of an 'unknown technical error' which was raised with NewDay's IT department. I have reviewed the IT report, but this suggests there was no error with the computing system. I invited NewDay to comment on this to check my understanding of the report was correct. I asked why there was going to be a balance of £66.10 at the end of the four years, but they were not able to explain this.

I have reviewed statements of account covering the period of the PayDown Plan and I can see that the requested payments varied. NewDay's letter dated 17 March 2020 informed Mr K that this might happen if the Bank of England base rate changed, as this would affect the interest charged on his account. The statements of account notify Mr K of these fluctuations in interest. I note Mr K was not using his card and was not charged any fees.

Ultimately, I am not sure how things went wrong here. However, NewDay accepted that something had gone wrong with the PayDown Plan when they responded to Mr K's concerns and offered compensation. So what I am looking into here is whether the compensation offered to Mr K was fair and reasonable, in these circumstances.

The credits NewDay offered consisted of £40 for distress and inconvenience, and £33.50 by way of refunded interest (although they credited £35.08). Our investigator thought that these credits were a fair and reasonable solution because the combined effect of these sums meant there would no longer be an outstanding balance at the end of the PayDown Plan once the last payment was made.

I agree that it would have been fair and reasonable for NewDay to ensure that the PayDown Plan debt was cleared in four years, as set out in their own documentation and the rules on persistent debt.

But I am not convinced that this was the intention behind the credits NewDay applied, given the information I now have. And I do not think combining the credits really achieved this, or was fair, as NewDay used Mr K's compensation for distress and inconvenience towards resolving the problem.

I asked NewDay to confirm why they chose to refund £33.50 interest, and why £35.08 was actually credited. NewDay couldn't explain why £35.08 was paid as opposed to £33.50 but noted this was in Mr K's favour. NewDay confirmed that the sum offered of £33.50 was a goodwill gesture equivalent to three months of interest, although their policy would normally have been to offer two months of interest.

I can see from the November 2023 statement that interest that month was £11.20. So it looks like this month was considered when calculating the credit of £33.50 interest. I think it's fair to say this refund of interest was an arbitrary figure to try and resolve matters for Mr K rather than a calculated means of putting Mr K back in the position he would have been in had the issue with the PayDown Plan not arisen.

While it's accepted something went wrong with the information Mr K was given about his PayDown Plan, it doesn't appear possible to know what or when things went wrong. I note Mr K had come to the realisation that something wasn't right within a few months of starting his PayDown Plan, although it's not clear what specifically alerted Mr K to this.

There can be circumstances where it is difficult for this service to know exactly what has happened in a case or to unwind things that have gone wrong, so I've considered what, in these circumstances, would be fair to put things right as far as it is reasonable and practicable to do so.

It's accepted Mr K should not have had an outstanding sum at the end of his PayDown Plan and in the circumstances I think NewDay's offer of three months' interest is reasonable to recognise something went wrong.

However, NewDay backdated Mr K's complaint to November 2022 and I think it fair to calculate three months' interest based on the interest applied at that time, which was £29.25. This would therefore mean a payment of £87.75 to Mr K to recognise that something went wrong with how his PayDown Plan was worked out.

Turning to the compensation for distress and inconvenience, I can see that NewDay acknowledged some failings on their part when handling Mr K's concerns about his PayDown Plan, and they tried to recognise this by offering Mr K £40. However my provisional findings are that I do not think £40 compensation is enough, given what happened. Mr K contacted NewDay a number of times over three years to get this matter resolved, and he was given incorrect information more than once. Mr K tried to get his concerns answered by raising a complaint in November 2022, but this was not dealt with until a year later.

Overall I think sorting out this matter put Mr K to far more inconvenience than I would reasonably expect here. In the circumstances I am minded to increase the payment for distress and inconvenience by £60, to bring the total distress and inconvenience payment to £100."

Responses to my provisional decision

In my provisional decision, I asked both NewDay and Mr K if they had any further comments or evidence that they would like me to consider before I made a final decision.

NewDay responded to ask which months made up the total interest charges of £87.75 that I provisionally recommended they refund to Mr K.

Mr K responded that he felt the compensation I provisionally recommended did not go far enough for the stress and worry caused to him, the number of times he tried to get the matter resolved and ultimately the way in which the matter was resolved.

Mr K also questioned how he could be sure that NewDay had got the interest calculations right on his account, given what happened with his PayDown Plan, and he wanted me to take this into consideration.

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 have considered the additional submissions of both parties, but I find I am not persuaded to change the conclusions I reached in the provisional decision. I'll explain why.

I'll turn first to NewDay's query about which three months of interest I provisionally recommended they refund to Mr K – which amounted to £87.75 in total.

I set out in my provisional decision that I thought NewDay had unfairly relied on the interest being charged in or around November 2023 when calculating Mr K's interest refund, rather than the interest being charged in November 2022 - which is when they said they should have dealt with Mr K's complaint.

So I calculated the figure of £87.75 by multiplying the interest charged in November 2022 by three.

Neither party has objected in principle to my methodology here, and I maintain my view that an interest refund of £87.75 in total to Mr K is fair to put things right as far as it is reasonable and practicable in the circumstances of this complaint.

I acknowledge Mr K's dissatisfaction with the amount of compensation I provisionally recommended NewDay pay to him, as he feels it is inadequate for what's happened. So, I have reconsidered whether my proposal of £100 for the distress and inconvenience caused to Mr K, in the circumstances, goes far enough.

I think it is helpful if I set out that the role of the Financial Ombudsman Service is to resolve individual complaints based on what is fair and reasonable in the circumstances of each case. It is not for this service to interfere with a firm's processes, systems of controls, or seek to fine or punish a business – that is for the Financial Conduct Authority to consider, as the regulator.

When our service considers compensation for distress and inconvenience we look to our guidance to decide what level of compensation is fair, in light of what happened and the impact that had on the customer in their particular circumstances.

In his submissions Mr K has referred to the stress and worry caused to him by the issue with his Pay Down Plan, but I have not seen anything to suggest this matter has had a wider impact on him than the frustration and inconvenience I recognised in my provisional decision.

I have not seen evidence to suggest NewDay's actions gave rise to any adverse consequences for Mr K or exposed him to financial harm or hardship. I take into account that Mr K was able to pay his instalments and he was not chased for any outstanding debt at the end of the PayDown Plan as, due to his payments and the credits applied to his account, it was fully paid off within the four year period.

Having reconsidered what is fair here, I am not persuaded to depart from my provisional conclusion that NewDay should pay Mr K £100 in total for distress and inconvenience, which is in line with our approach.

Lastly, I acknowledge Mr K's new concern about the accuracy of the interest on his account generally, because of what happened with his PayDown Plan.

I can understand Mr K's lack of confidence in how his account has been managed given his experience here, but I consider this is outside the scope of what I am tasked with in dealing with this complaint – which Mr K made specifically in relation to his PayDown Plan.

If Mr K wishes to complain about a different aspect of his agreement with NewDay, this is something NewDay would need to have an opportunity to respond to first through their own complaints procedure, before our service could get involved.

Whilst I realise this will be frustrating for Mr K, I can't properly consider NewDay's general management of his account as part of this complaint.

Putting things right

NewDay Ltd should do the following to put things right:

- Pay a further £60 to Mr K for distress and inconvenience; and
- Pay Mr K £87.75 less the interest payment of £35.08 he's already had the benefit of - so pay Mr K £52.67.

My final decision

For the reasons I have outlined, I uphold Mr K's complaint and require NewDay Ltd to put things right as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 4 September 2024.

Clare Burgess-Cade
Ombudsman