

## **The complaint**

Mr B complains that NewDay Ltd are charging him too much interest on his credit card account.

## **What happened**

Mr B holds a credit card account with NewDay. The account is in persistent debt.

In April 2024 NewDay placed the account in a 48 month PayDown plan and placed a block on the card to prevent further use.

Mr B says that as a result of the PayDown plan the interest rate has increased to 40%. He says he never agreed to the PayDown plan and doesn't think it's fair that interest is charged when he's unable to use the card.

Mr B complained to NewDay.

In its final response dated 2 May 2024, NewDay said it wasn't upholding the complaint. It said it regularly carried out reviews on customer accounts in accordance with the terms and conditions of the credit agreement to ensure that it applied appropriate interest rates. NewDay explained that there were several factors taken into consideration when setting individual interest rates, including the way the card had been managed, information held at the Credit Reference Agencies and internal risk strategies. It said it had written to Mr B in June 2022 giving him the option to clear down the balance at the existing interest rate but had not heard from him, so the interest rate increase went ahead as advised. NewDay confirmed that it had written to Mr B about the PayDown plan in March 2024 and had placed the account in a PayDown plan in April 2024 and blocked the use of the card.

Mr B remained unhappy and brought his complaint to this service.

Our investigator didn't uphold the complaint. He said he didn't think NewDay had done anything wrong by putting Mr B on a PayDown plan or suspending the use of his card because the rules which NewDay are obliged to follow say that they must take these measures in certain circumstances. In relation to the interest rate, the investigator said that the rate had been increased two years prior to the PayDown plan and said that NewDay had written to Mr B beforehand giving him the option to stay on the existing rate and pay down the balance, but hadn't heard back from him.

Mr B didn't agree. He wants NewDay to freeze interest whilst he pays down the balance, or alternatively reactivate the card so he can use it.

Because Mr B didn't agree I've been asked to review the complaint.

## **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 know that it will disappoint Mr B but I agree with the investigators opinion. I'll explain why.

I've read and considered the whole file, but I'll concentrate my comments on what I think is relevant. If I don't comment on any specific point, its not because I've failed to take it on board and think about it but because I don't think I need to comment on it in order to reach what I think is the right outcome.

#### PayDown plan

I can see that NewDay wrote to Mr B on 20 March 2024 and reminded him about a previous letter regarding persistent debt. Persistent debt is where a consumer is paying more in interest, fees and charges than they are repaying towards the borrowing. In the letter, NewDay explained to Mr B that because his account had been in persistent debt for 36 months, it was obliged – under rules set by the Financial Conduct Authority (FCA) to move the account onto a PayDown plan. In the letter, NewDay offered Mr B two PayDown plan options and set out the monthly instalments payable under each one. NewDay asked Mr B to choose which one he wanted by 19 April 2024.

NewDay wrote again to Mr B on 22 April 2024 and advised him that he would no longer be able to spend on his account as the balance was now on a PayDown plan.

I appreciate that Mr B has said that he didn't want to go onto the PayDown plan and didn't agree to any repayments. Mr B is also unhappy that he can't use the card.

The rules on persistent debt which I've referred to above require lenders to set out ways to enable consumers to repay the outstanding balance within a reasonable period. The FCA sees a reasonable period as between three and four years. NewDay is obliged to follow these rules.

Based on what I've seen, Mr B's account had been in persistent debt for 36 months. In the circumstances, I don't think NewDay made an error when it placed the account in a PayDown plan.

In relation to the suspension of the card, I can see that the terms and conditions of the credit agreement state that:

*"...we may move all or part of your balance to a PayDown plan. We may do this as an alternative to restricting or suspending the use of your card, or we may also stop the use of your card or reduce your credit limit "*

In addition, the Consumer Credit Sourcebook (CONC) at CONC 6.7.35 says that where a consumer doesn't respond to an attempt to help with their debt, the business must suspend the credit facility. In this case, I can't see that Mr B responded to the letter about PayDown. In the circumstances, I'm unable to say that NewDay made an error when it suspended the account, as it was acting in line with its obligations under the relevant rules.

#### Interest rate

I can see that NewDay wrote to Mr B in April 2022 advising him that the interest rate was increasing. At that time, NewDay gave Mr B the option to close the account and pay down the balance at the existing interest rate. NewDay gave Mr B until 25 June 2022 to confirm whether he wanted to pay down the balance. NewDay also put a reminder about the interest rate on Mr B's monthly statement. I can't see that Mr B responded, so the interest rate was

increased.

I've reviewed the terms and conditions of the credit agreement. These say that NewDay can change its interest rates and that it must give 60 days notice of any interest rate increase. Based on what I've seen, NewDay complied with the terms and conditions when it wrote to Mr B in April 2022.

I appreciate that Mr B has said that it was the PayDown plan which caused his interest rate to increase. However, I don't think that this is the case. The interest rate increased two years before the PayDown plan was put in place.

Taking all of the available information into account, I haven't found anything to suggest that NewDay has made an error or treated Mr B unfairly here. I won't be asking them to do anything further.

### **My final decision**

My final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 5 December 2024.

Emma Davy  
**Ombudsman**