

The complaint

Miss C complains that NewDay Ltd (NewDay) were insensitive and unsupportive when she was vulnerable following the loss of her parents.

What happened

Miss C called NewDay on 14 February 2024 and told them her parents had died and that she'd been made homeless. She's unhappy that they proceeded to write to her at an address they knew she no longer lived at, and that they terminated her account and passed it to a debt collection agency who harassed her for payment when she was vulnerable.

NewDay didn't think they'd done anything wrong. They explained that they had terminated the account when Miss C failed to make payments towards her debt and that they had to send regulatory letters such as the default notice, to the last known address they had.

Our investigator didn't think NewDay had been fair. He thought they should have tried to contact Miss C in some other way and that if they had the issues could have been avoided.

NewDay didn't agree so the complaint has been passed to me, an ombudsman, 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 was very sorry to hear about the problems Miss C has been experiencing. I don't think NewDay have done all they could to support her in a very difficult time. I'll explain why.

Where the information I've got is incomplete, unclear, or contradictory, as some of it is here, I have to base my decision on the balance of probabilities.

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, it's 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.

We'd expect businesses to be supportive of consumers who face financial difficulties and to be sensitive to vulnerability.

I think NewDay did take some action to try to support Miss C's financial difficulty as they explained that they offered a reduced short term payment plan and that they discussed a payment break with Miss C when she called them in February 2024. They also stopped charging interest on the debt after they suspended the account.

But given the very difficult situation Miss C explained she was in, I think NewDay should have identified her as vulnerable and have taken some measures to ensure they were able

to communicate with her. It must have been clear that any arrears letters wouldn't reach her despite any obligation to send those to her last known address. I've not seen that attempts were made to call or email her about her arrears until the debt was transferred to a collection agency. And that meant that Miss C wasn't being advised of the arrears or of the potential repercussions of not bringing the account up to date.

I'm persuaded that Miss C would have been likely to take some action to start to recover those arrears if she'd been adequately informed. I say that because when the collection agency started to contact her, she started to make regular overpayments. By September 2024 she had more than halved the debt on the account.

I've considered what should be done to put things right for Miss C. NewDay have explained that the account was never defaulted but it was terminated, and I don't think that action would have been necessary if adequate communication had been maintained. So, NewDay should reactivate the account.

NewDay have explained that they have reported missed payments to Miss C's credit file. They should remove any reports of missed payments they have made from February 2024 when I'm persuaded that they effectively stopped communicating the debt position to Miss C as they were writing to an address she wasn't at, until June 2024 when it's clear the collection agency were discussing the situation with her and she was making overpayments.

I don't think NewDay were wrong to transfer the account to a debt collection agency as the terms of the account allowed them to do that at any time. I can see they've now recalled the debt.

I think Miss C has experienced some distress and inconvenience as a result of NewDay's actions. She's been pursued for a debt that I think could have been managed better had NewDay communicated with her, and she's had adverse information reported to her credit file that could have been avoided. She's also explained that she is now suffering from Post Traumatic Stress Disorder as a result of the situation she's been in, and I think NewDay could have handled the situation more sensitively. In all of the circumstances I would agree with our investigator that NewDay should pay Miss C £500 in respect of the distress and inconvenience she's experienced.

If Miss C is struggling with repayments NewDay should agree an affordable repayment plan with her. But as she appears to be managing her account well now and as a repayment plan would be reported to her credit file, that may not be something Miss C would wish to pursue.

My final decision

For the reasons I've given above, I uphold this complaint and tell NewDay Ltd to:

- Reinstate the account.
- Remove any adverse information they may have reported to Miss C's credit file between February 2024 and the end of June 2024.
- Pay Miss C £500 in respect of the distress and inconvenience caused.
- Agree an affordable repayment plan for the account balance if Miss C elects to take up that option.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 1 May 2025.

Phillip McMahon

Ombudsman