

The complaint

Mr S complains about the way that NewDay Ltd ('NewDay') trading as AO Finance allocated payments to his account which he says has caused him financial loss.

What happened

Mr S had a rolling credit account with NewDay from which he could purchase goods from a business I'll refer to as 'T' using credit provided by NewDay. In October and November 2025, Mr S bought goods under Buy Now Pay Later plans (the 'BNPLs'). The BNPLs were due to expire in May and June 2025 respectively. Shortly before taking out the BNPLs, Mr S purchased goods under twelve-month instalment plans at 0% interest (the 'instalment plans'). The three instalment plans were paid on a monthly contractual minimum payment basis. Mr S's main complaint is that NewDay prevented him from paying off the BNPLs early resulting in him being charged interest.

Our investigator didn't recommend upholding the complaint which I agreed with, but I issued informal findings to provide additional reasoning for reaching this outcome. Mr S disagreed so the matter has been passed back to me to finalise.

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.

Although a number of issues have been raised, this decision only addresses those issues I consider to be materially relevant to this complaint. This isn't meant as a discourtesy to either party – it simply reflects the informal nature of our Service. I've carefully reviewed what Mr S has said in response to my informal findings and I thank him for taking the time to respond to me. However, I can't see he's provided anything substantially new to support his case so I still remain of the view that this complaint shouldn't be upheld. I'll explain why.

Before I start my reasoning I want to first clarify the amounts of the BNPLs. The first BNPL was for £789 and expired on 4 May 2025. The second BNPL was for £209 and expired on 2 June 2025. Mr S made a payment of £789 on 7 May 2025 and a payment of £209 on 4 June 2025.

When Mr S first called NewDay on 14 March 2025 saying he wanted to pay off the BNPLs, the agent, correctly in my view, explained that because he had other instalment plans, and the BNPLs expiry dates hadn't been reached, any payments he made over and above the instalment amounts would go towards the instalment plans first. The agent wasn't able to point to the exact part of the terms and conditions during this call although they tried to help Mr S with this. However, it's clear that Mr S was unhappy with the way the terms worked so he raised a complaint.

I appreciate Mr S said he didn't receive the final response letter dated 20 March 2025, but complaints handling isn't a regulated activity so I can't look at whether NewDay handled his complaint correctly (i.e. issued a final response to him when it should've done). Nonetheless,

as I explained, the final responses he received in March, April and June 2025, did provide him with information to help him understand how he could pay off his BNPLs early.

The final response dated 23 April 2025, for example, provided Mr S with an exact figure he would need to pay which would allow him to pay off the BNPLs early as well as the instalment plans. From what Mr S has said he had the funds available to do this. However, as far as I can tell, he chose not to pay the stated amount which would've allowed him to pay off his BNPLs early. Mr S says the figure he was given was for the whole amount owed on his account which he didn't think was fair. But this was in line with the terms of his account.

Mr S's argument is that he should be able to pay the BNPLs at any point without having to repay the instalment plans in full given the BNPLs were due to move on to a standard interest rate whilst the instalment plans were always set at 0% interest. But at the point Mr S first called in March 2025, the BNPLs and instalment plans were all effectively 0% interest. The terms of the account made it reasonably clear that if Mr S had promotional offer balances at the same rate, the earliest plans would be paid first. Mr S says he wasn't told about the terms of the agreement. But I can see he signed the credit agreement electronically on 14 August 2022. I think Mr S was given clear, fair and not misleading information about how the allocation of payments worked.

When the expiry date of the first BNPL came around (4 May 2025), Mr S made a payment of the exact amount for that BNPL. Mr S didn't pay enough to cover the expired BNPL and the contractual minimum payment for the instalment plans. Under the regulator's (Financial Conduct Authority's), Consumer Credit Sourcebook, this allows a financial business to take the monthly contractual minimum instalment plan first before applying payments to potentially higher interest bearing amounts. In Mr S's case, when he didn't make a payment that covered both the expired BNPLs as well as the monthly amount due for his instalment plans, this meant he didn't pay off the BNPL in full. So, this is why he was charged interest. I appreciate Mr S may not have heard of the regulations I referred to above, but my role is to have due regard to all law and regulations when reaching a decision. So, this is what I've done in Mr S's case.

Mr S says he was prevented from making the payments to cover the BNPLs via his NewDay's online account due to system problems. However, I'm not persuaded by this. Mr S's statements provided him with three ways he could've made a payment including by bank transfer. I think it's likely if Mr S had made a bank transfer using the details provided in his statements, any payments he made would've been received into his account and applied by NewDay according to the terms of the account. I know Mr S didn't want to use the bank transfer method of payment. But, in my view, this was a reasonable option for him if he was having difficulty with the other methods of payments. Further, when the BNPLs did expire, Mr S paid the exact amount for the BNPLs. So, this does show he was able to vary the amounts he could pay online. All in all, I'm still not persuaded Mr S being charged interest was due to an error by NewDay.

In any event, from everything I've seen Mr S hasn't suffered any financial loss here. He has been refunded all of the interest payments. So, even if I thought NewDay had charged Mr S incorrectly (which I don't), given it has fully refunded him all the interest payments up until December 2025, which appears to have been done as a goodwill gesture, I wouldn't be asking it to take any further steps to put things right. Mr S says he has lost out in other ways because NewDay has withdrawn the use of credit from its platforms. However, this appears to be a separate issue and doesn't form part of this complaint.

For all the above reasons, whilst I know this will remain a disappointing outcome for Mr S, I'm not upholding this complaint.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 10 March 2026.

Yolande Mcleod
Ombudsman