

The complaint

Miss K has complained about the way NewDay Ltd trading as BIP “NewDay” defaulted her credit card account.

What happened

All parties are familiar with the facts in this case so I’ll only briefly set them out here. Miss K says she discovered NewDay had applied a default to her credit file in March 2025 and she contacted it immediately to resolve the matter. She offered to clear the balance if it agreed to remove the default from her credit file. At this time, Miss K showed she did have sufficient funds available to clear the debt.

NewDay didn’t agree to remove the default saying it had been correctly applied and that her debt had now been sold to a third party debt collections agent (DCA) so any repayment options needed to be discussed with the DCA. Unhappy, Miss K complained but NewDay maintained its position and issued a final response saying it had made no errors and it had recorded the default correctly.

Unhappy, Miss K referred her complaint to our service reiterating her earlier points. She explained she hadn’t received the default notice and had tried to rectify the issue soon after realising something had gone wrong. She also explained that she had been suffering from genuine personal struggles and had not avoided paying the debt.

Miss K’s complaint was considered by one of our investigators. They said that NewDay had followed the Information Commissioner Office (ICO) debt guidance about sending the default notice and the decision to report the default was correct. But they felt the default should have been applied earlier – at the latest in September 2024. They felt waiting until March 2025, means the default would stay on Miss K’s credit file longer than it should so it should be backdated. So, they recommended that aspect of the complaint be upheld.

NewDay agreed to backdate the default to September 2024 but Miss K didn’t agree. She explained that her grandmother had become ill so she was caring for her, and she sadly passed away in September 2024. Miss K said she’d suffered significant personal stress and struggled with family responsibilities. Her life had become overwhelming and her focus was elsewhere. Once she realised the default had been applied, she immediately sought to rectify the matter and had not ignored or avoided the debt.

Our investigator explained that while they sympathised with Miss K’s circumstances, their view remained unchanged as they didn’t think there was any evidence that NewDay had acted incorrectly or in breach of any rules, laws or guidance beyond reporting the default notice later than it should have.

Miss K maintained she wanted the default removed completely. She felt that while NewDay might not have breached any rules or guidance, given her exceptionally difficult circumstances, she wanted the ombudsman to direct NewDay to remove the default under it’s fair and reasonable remit. She said she hadn’t avoided the debt, that it was a relatively

small debt, that she had been in a vulnerable mental state and had actively engaged when she was in a better position to deal with the debt.

Our investigator maintained that their view of backdating the default on Miss K's credit file was a fair way to put matters right. NewDay agreed but as Miss K didn't, the complaint couldn't be resolved and the complaint has been passed to me to make 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.

In considering what is fair and reasonable, I need to have regard to the relevant law and regulations, regulators' rules, guidance and standards, codes of practice and (where appropriate) what I consider having been good industry practice at the relevant time.

I'm sorry to hear about the impact the situation is having on Miss K. Having considered all the circumstances, I've reached the same overall conclusions as the investigator for broadly the same reasons. I've read and considered the evidence submitted by both parties, but I'll focus my comments on what I think is relevant. If I don't comment on a specific point, it isn't because I haven't considered it, but because I don't think I need to comment in order to reach what I think is the right outcome. This reflects the quick and informal nature of this service in resolving disputes.

I can see Miss K's account was in and out of arrears in 2023 but as of September 2023, the account wasn't in arrears, the balance was just over £420, which was within the credit limit of £450, and a payment of £70 had been made. Unfortunately, after this the account was consistently in arrears for a significant amount of time.

In January 2024, after at least three months in arrears, NewDay issued a default notice giving Miss K until 31 January 2024 to clear the arrears to avoid the default. When no payment was made, a further letter was issued explaining the account had been terminated. Miss K was informed in these letters the consequence of non-payment and that the status of the account could be reported to credit reference agencies. Miss K said she didn't receive these letters but they were correctly addressed so I'm satisfied they were sent. Miss K's monthly statements also set out her balance, her minimum contractual payments and notified her of the arrears. I think NewDay did enough to make it clear to Miss K that her accounts were in arrears, that she needed to make payments and that there could be further consequences for her if payments weren't made in line with her credit agreement. Miss K also would have been aware when she hadn't made payments as she didn't make payments.

Miss K made payments into her account from April 2024 until August 2024, and then no further payments were received between September 2024 and March 2025. At this time, NewDay registered the default and sold the account to the DCA.

Generally, a default notice can be issued after an account has been in arrears for between three to six months. A default can have a considerable impact on a consumers credit rating, so businesses can sometimes avoid registering the default if consumers agree and maintain repayment proposals within acceptable limits. But if such payments aren't received, generally businesses are able to register the default without issuing any further notices.

There is a balance to be reached between giving consumers a genuine opportunity to avoid the default being registered by allowing them to make payments especially when they are experiencing financial difficulty and not unreasonably delaying the registering of the default.

This is because the default remains on a consumers credit file for six years, so the later it is registered, the longer it will impact a consumer.

I do accept that, after September 2023, although the account remained in arrears, Miss K did make payments into her account when she could so I believe she wasn't avoiding the debt and clearly had the intention to clear this debt. I am not doubting her genuine wish to repay a debt owed.

But between September 2023 and September 2024, Miss K had failed to make payments into her account on six occasions. So, I agree with our investigator, that once Miss K failed to make a payment in September 2024 a default should have been promptly registered. As explained above, at this point the account had been consistently in arrears for a significant time and monthly payments had been missed on six occasions. So, waiting a further six months of non-payment before registering the default doesn't seem fair to Miss K. As NewDay has agreed to backdate the default to September 2024 in any event, I don't need to delve into this any further.

I now turn to Miss K's request to consider the complete removal of the default given the exceptionally difficult circumstances that she's gone through. I want to assure Miss K that I don't doubt how difficult this period in her life has been and I sympathise with her position.

It may be helpful to explain that an account is generally defaulted when consumers are unable to meet the contractual terms of the credit agreement. This is a true reflection of the account conduct – either consumers have made the payments and met all the terms of the credit agreement or they haven't. And where consumers are in breach of their credit agreement, in line with ICO's guidance, businesses are expected to register a defaulted account, after the accounts been in arrears for six months. There can be far reaching consequences for financial businesses that do not comply with laws/guidance and rules applicable to them.

This sometimes happens when consumers simply refuse to repay the debt, mis-manage their account and do not engage with the business. But often, this is caused by genuine difficulties experienced by a consumer like in Miss K's situation. It can be caused by job loss, unexpected life circumstances such as a relationship breakdown or bereavement of a loved one to name a few. In these sorts of situations, we would expect businesses to show forbearance for temporary periods and support consumers with their debt. For example, by suspending interest/charges, agreeing repayment proposal, giving payment holidays and giving consumers clear information about the status of their accounts and the repayment options available to them.

I can see Miss K was given a repayment holiday in March 2023, interest and charges were suspended and repayments accepted. But in line with the ICO guidance, after six months of no payments, I think it becomes difficult for a business to not report the default status of the account as this is what the guidance says. Ultimately, NewDay is obligated to record information about Miss K's account which reflects the true conduct of her account. It's not in dispute that payments were due monthly which were not received on six occasions as of September 2024 after the default notice was issued. And the account had already been in arrears before this date. So, I don't think I can fairly conclude that NewDay acted incorrectly by reporting the default or that it hasn't shown forbearance. Although I agree, it should have been reported earlier. By September 2024, the account had been in arrears for a considerable amount of time, and the agreed repayment arrangement had been broken.

Registering a default is about the way the account has been managed and not a question of a consumers intentions/character. And while the total debt isn't particularly large, the

outstanding balance will generally be visible on the credit file as well as the status of the debt such as if its settled/partially settled etc.

Overall, I don't find there are grounds for me to compel NewDay to remove the default from Miss K's credit file. Her accounts were not managed in line with the credit agreement for a considerable amount of time. Even though I accept this was caused by genuine difficulty, her credit file reflects the way her account has been managed so I am unable to make a finding that the default should be removed altogether.

I would add that consumers are sometimes able to add a notice of correction onto their credit file which can provide future creditors with more context as to how a default came to be. If Miss K wants to explore this option, she can contact the Citizens Advice Bureaux for advice and support to see if this is something they can help her with.

Summary

I don't think the decision to default Miss K's account, the information given to her about the default status of her account or the decision to report it on her credit file was unfair or incorrect. So, I am unable to ask NewDay to remove the default altogether.

But I do think, as now offered by NewDay, the default ought to have been recorded earlier, which means it will come off her credit file earlier.

Putting things right

NewDay must backdate the default to September 2024.

My final decision

For the reasons I've explained, I uphold this complaint in part. If Miss K accepts this decision, NewDay Ltd trading as BIP should put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss K to accept or reject my decision before 22 May 2026.

Asma Begum
Ombudsman