

## **complaint**

Mrs W complains on behalf of the estate of Mr W. She says that New Day Ltd (trading as Debenhams Mastercard) irresponsibly provided a credit card facility to her late father. Mrs W also says NewDay provided poor customer service during the complaint process.

## **background**

In June 2015, NewDay approved a credit card with a limit of £7,500 for the late Mr W. Mr W sadly passed away in March 2018 and at the time of his death there was an outstanding balance of around £2,604.

Mrs W on behalf of her father's estate complained to NewDay, she said her father was 81 years old and vulnerable at the time the credit card was approved. Mrs W says that her father had a poor credit history as he was repaying historic debts and had previously defaulted on a credit facility with Debenhams.

Mrs W says during her communication with NewDay, it didn't acknowledge her correspondence and the complaint points she raised hadn't been properly investigated. NewDay accepts that it could have provided better service and offered Mrs W £100 for the trouble & upset it caused her. However, NewDay didn't think it was wrong to have approved the late Mr W for the credit card.

The complaint was referred to this service, where one of our adjudicators looked at the complaint. She thought that NewDay had irresponsibly lent to the late Mr W as there were signs from its checks that suggested he was likely to struggle to repay. So, she recommended that the complaint should be upheld, and the interest and charges paid towards the credit card be refunded to Mr W's estate plus statutory interest.

Mrs W on behalf of Mr W's estate disagreed and said the NewDay was so reckless in its decision to lend to her late father and it needed to write off the outstanding balance on the account.

As the complaint wasn't resolved, it's been passed to me an ombudsman to make a decision.

## **my findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

NewDay needed to carry out proportionate checks to satisfy itself that the later Mr W could repay the credit it was approving for him. Having looked at the information provided, I agree with the adjudicator that NewDay shouldn't have approved the credit it did for the late Mr W.

NewDay's checks show that it thought the late Mr W was a high risk, with an income of £1,600 and an outstanding balance of unsecured loan of around £12,700. It also appears from NewDay's internal notes that it was concerned about the risk in the lending and took into account the late Mr W's partner's income – something it shouldn't have been doing as it wasn't a joint application. So even without taking its checks further I think NewDay was reasonably aware that the late Mr W likely couldn't afford the credit it approved for him. As a responsible lender, I don't think it should have lent to him. And it needs to put things right.

*Should the outstanding balance be written off?*

Mrs W has argued that the late Mr W was in in payment arrangements with at least three creditors, at the time NewDay lent to him, which had been ongoing for several years. She has also said that back in the 90s the late Mr W had defaulted on credit provided by Debenhams and so NewDay was reckless to lend to him and the balance on the account should be written off.

Firstly, I think the default from the 90s is so long ago that I wouldn't expect NewDay to necessarily place a lot of weight on this when it considered Mr W's credit application in 2015. Also, NewDay wasn't required to keep records from such a long time ago and so I wouldn't necessarily have expected it to make the connection in those circumstances.

Also, the fact that the late Mr W was in payment arrangements with other creditors doesn't persuade me that the outstanding balance needs to be written off on that basis. The repayments that the late Mr W was making towards these historic debts were quite minimal and had been ongoing for a while.

I think NewDay was irresponsible to lend to the late Mr W given what it found from its checks, but I think the outstanding balance should be repaid.

The late Mr W had access to the funds to spend as he pleased, I appreciate Mrs W's point that her father spent credit he obtained on non-essentials which he didn't need or use. But I haven't seen evidence to suggest that NewDay should have been reasonably aware of this and this use of credit doesn't necessarily mean that the late Mr W didn't benefit from the use of the credit facility.

I think in the circumstances, it's fair that the principal outstanding be repaid. And so, I won't be asking NewDay to write off the debt.

*The complaint handling process*

I appreciate that Mrs W has likely had a difficult time trying to sort out her late father's financial affairs. NewDay has acknowledged that it could have done better with the service it provided to her during the complaint process and has offered £100 for the trouble and upset caused. If Mrs W wishes to accept the offer, she'll need to contact NewDay directly to do so.

**Putting things right – what NewDay needs to do**

- Refund all interest, fees and charges applied to the account from when it was opened;
- NewDay may apply the refund to the outstanding balance on the account;
- if there's surplus after applying the refund to the outstanding balance, NewDay should add 8% simple interest to the surplus and pay it to the estate of Mr W;
- if after applying the refund to the outstanding balance, there's still a balance outstanding, NewDay should work with the estate of Mr W to agree an arrangement for payment.

**my final decision**

For the reasons given above, I'm partially upholding the complaint on behalf of the estate of Mr W and require NewDay Ltd to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W on behalf of the estate of Mr W to accept or reject my decision before 20 November 2020.

Oyetola Oduola  
**ombudsman**