

complaint

Mr D complains that NewDay Ltd didn't register a default on his account at the same time as his other creditors. It affected his rating.

background

Mr D had a credit card provided by NewDay. He got into difficulty with his payments. And in August 2010 he entered into a debt management plan. When he checked his credit file he noticed that NewDay didn't default his account as soon as he started the plan. Instead it'd continued to apply late payment markers until 2012.

If NewDay had reported the default in 2010 like his other creditors then it would've been removed from his credit file by now. But NewDay only registered it in November 2012. Mr D said he thought he'd already defaulted when he stopped making his minimum monthly payments. So he wants the default backdating to the start of his debt management plan.

NewDay said Mr D had fallen into arrears in August 2010. Because a payment arrangement had been put in place in October 2010 it'd delayed issuing a default notice until 2012. The delay had been provided to Mr D so he had the chance to clear his balance without a default being registered.

NewDay said Mr D offered £750 to settle the account in 2012. And NewDay told Mr D if it accepted the offer then the remaining balance on his account would be defaulted. So it'd registered the default when Mr D had made his last payment on 29 November 2012.

Mr D wasn't satisfied with NewDay's response. So he contacted our service and our investigator looked into the matter. He felt NewDay had acted positively by freezing the charges and interest on Mr D's account. But it hadn't told Mr D he was in an amended agreement. And it should've been clear after 3-6 months of reduced payments that it wasn't a short term issue. So he felt NewDay should've registered the default by April 2011. He said NewDay should remove the default from Mr D's account. And it should pay him £200 for the impact it'd had on him.

NewDay didn't agree. It said Mr D had been made aware the default would be registered on the remaining balance after his settlement offer. So it's asked for an ombudsman's final 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.

I can see Mr D fell into arrears in August 2010 and entered into the debt management plan in October 2010. The plan reduced his monthly payments. In November 2012 Mr D made an offer of £750 in full and final settlement which NewDay accepted.

Mr D feels NewDay should've placed a default on his account when he started the management plan. That's what his other creditors did. But NewDay didn't default his account until November 2012. So Mr D's credit file was affected for a further two years.

NewDay said it didn't register a default against Mr D because he was keeping up with the payments from his debt management plan. It said it was trying to give him a chance to repay his debt and avoid a default. Mr D said he wasn't aware NewDay was doing anything different to his other creditors. But NewDay said it'd made it clear that the default would be entered on his account if it accepted his settlement offer. So Mr D would've known in November 2012 that a default would only be registered at the point.

I appreciate NewDay acted sympathetically and positively towards Mr D once it became aware of his financial difficulties. It stopped adding further charges and interest to his account. And it delayed registering a default on his credit file to give Mr D the chance of sorting things out. But I would expect the situation to be temporary.

When Mr D reduced his monthly payments to NewDay he was paying less than the minimum amount. So he wasn't paying as much as he'd originally agreed to. And I haven't seen anything to suggest Mr D was sent an amended agreement.

NewDay had to manually alter its records each month to show there wasn't a default despite the reduced payments. So I don't think it was fair to Mr D that NewDay didn't record the default by the time he was between three and six months in arrears. By then it should've been clear he wasn't able to make his contractual payments. And at this point it would be better for NewDay to register the default so that Mr D could start to rebuild his credit history for the future.

Allowing for the three to six month period I would've expected NewDay to have registered a default against Mr D by April 2011 at the latest. But NewDay only acted in November 2012 after it'd received his settlement offer. So Mr D's credit file was affected for a further 19 months.

I would expect the default to clear from Mr D's credit history after six years. So it shouldn't be on his file anymore. But I think it's right that Mr D is compensated. By delaying the default Mr D was put in a worse position than if he'd not actually paid anything after 2010. And I don't think that's right. Our investigator has suggested £200 compensation for the impact this would've had on Mr D. And I think that's an appropriate amount.

my final decision

My final decision is that NewDay should ensure the default was removed from Mr D's credit file in November 2018. And it should pay Mr D £200 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 24 February 2019.

Andrew Mason
ombudsman