

## **complaint**

Mr M is unhappy because NewDay Ltd didn't process a balance transfer on his credit card.

## **background**

Mr M held a credit card with NewDay. In May 2017 he arranged a balance transfer with another bank (who I'll call "Bank A") so that £700 on the credit card with New Day would be transferred to a card he held with Bank A. Mr M told us that Bank A couldn't complete the transfer in the normal manner so they arranged the transfer by sending a cheque to NewDay. The complaint has arisen because the transfer never went through as the cheque was returned to Bank A.

Mr M complained to NewDay as he was unhappy that it had returned the cheque. He was also unhappy that a negative notice had been placed on his credit file.

NewDay told Mr M that it had no record of the £700 payment or of an attempted balance transfer. It also said adverse information was recorded on Mr M's record as no payment had been received following the May 2017 statement. So it said the information recorded with credit reference agencies was correct.

Bank A provided us with details of an internal memo asking for a cheque to be processed for a balance transfer and detailing Mr M's NewDay credit card number. Bank A also provided a copy of a file note which said that the cheque was returned as "they" (presumably New Day) couldn't identify the customer by the information provided.

Our investigator thought the complaint should be upheld. In summary, she felt Bank A had sent the cheque to NewDay but for some reason NewDay didn't accept it. She felt this denied Mr M the opportunity of benefitting from the lower interest rate offered by Bank A.

NewDay disagreed with our investigator. It said it used another business to process payments and that any cheque without the account number on the back is automatically rejected and returned. So it believed that the processing company received Bank A's cheque, but it couldn't apply it to Mr M's account as the account number hadn't been supplied.

## **my findings**

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

It seems clear from what I've seen that NewDay most likely received the cheque from Bank A. Indeed, NewDay itself said it thinks the processing company – which is effectively NewDay's agent – received the cheque. The issue I need to consider therefore is whether NewDay treated Mr M fairly when it returned the cheque to Bank A.

Mr M hasn't complained to us about what Bank A did or didn't do, so I haven't been able to carry any investigations into that. Nevertheless, I wanted to ensure, as far as possible, that the fault here didn't lie with Bank A. I therefore asked them to provide a copy of the covering letter that was sent with the cheque. They weren't able to provide an exact copy of the letter, but they did provide a template of the letter that would have been sent. Of relevance, that said:

*Please find enclosed a balance transfer cheque for £0.00 to be paid into BANK NAME account number SORT CODE / ACCOUNT NUMBER / REFERENCE.*

I can't of course be sure what the letter actually said. But given the template, I think it's fair to conclude that it most likely included details of Mr M's credit card account number with NewDay. So, whilst the account number might not have been written on the back of the cheque, I think it's most likely that NewDay was provided with sufficient information to enable it to process the cheque and pay it into the credit card account.

I therefore conclude that NewDay treated Mr M unfairly when it returned the cheque to Bank A. I also conclude that led to Mr M losing out, as he didn't benefit from the lower interest rate (9.9%) being offered by Bank A.

The second part of the complaint concerns the adverse note placed on Mr M's credit file. The negative note Mr M referred to – and which he provided us with a copy of – said that he'd exceeded the credit card limit several times in the past year. NewDay said that adverse information was recorded on Mr M's credit profile in June 2017 due to a late payment of the minimum amount detailed in the May 2017 statement – for which a late payment fee was applied.

It strikes me that if NewDay had processed the cheque it received from Bank A rather than returning it, the outstanding balance would have been £700 less. That in turn means that the credit limit wouldn't have been exceeded. I therefore think it's unfair for Mr M's credit file to be adversely affected because of something that NewDay failed to do.

Our investigator asked NewDay to pay Mr M £100 compensation for the distress and inconvenience caused. I agree with this recommendation. Not only has Mr M lost out financially, I think he's also had the inconvenience of trying to sort the matter out, as well as the worry of having the adverse record on his credit history. I think the £100 is suitable compensation for what Mr M has had to endure.

### **my final decision**

For the reasons outlined above, I uphold this complaint. I require NewDay Ltd to:

- amend Mr M's credit card account from 23 May 2017 so that interest of 9.9% is charged on the £700 that otherwise would have been transferred to Bank A. If Mr M is unable to transfer the remainder of the £700 to another card with an interest rate of 9.9% or less, NewDay Ltd will have to apply an interest rate of 9.9% on the £700 until 23 November 2018 (which is the period Mr M would have benefitted from the lower interest rate with Bank A).
- remove any late payment fees and charges from the account that stemmed from NewDay not processing the cheque.
- remove any adverse data recorded on Mr M's credit file relating to the credit limit being exceeded because the balance wasn't reduced by £700.
- pay Mr M £100 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 23 March 2018.

Paul Daniel  
**ombudsman**