

complaint

Mrs R complains about how NewDay Ltd has managed a store branded credit card account which she holds.

background

Mrs R says that she has a store branded credit card. She said she'd been making payments onto the card, but the money wasn't arriving where it was supposed to be.

Mrs R said that she thought that the problem had been caused when NewDay started to operate this card for the store. She said that when this change happened, NewDay didn't tell her that she needed to amend any payment details. The sort code and account number stayed the same. But she said that the payments she was making weren't credited to her account. And now she was being asked to pay money she didn't owe.

Mrs R said that an amount of £955 that she paid was sent back to her account, but NewDay had kept it for a month. And the sum of £1,000 hadn't been returned. She thought that NewDay had cancelled her previous direct debit for £50, and she didn't think that interest should've been applied when she'd tried to pay off her account in full. In frustration, she brought her complaint to us.

NewDay said that Mrs R had made two payments onto her card, of £955 at the end of May and £1,000 at the end of June. It had rejected both of those payments. The payment of £955 was rejected on 23 May 2018 and the payment of £1,000 was rejected on 21 June 2018.

NewDay said that the problem was that Mrs R wasn't using the right reference number with her payments. She was supposed to use her card account number as the payment reference. NewDay said that it tells its customers this on the back of their statements. But the reference Mrs R was using didn't mention any numbers, it just quoted the name of the store. That meant NewDay didn't know who was paying it, and which card account it should apply the payment to. NewDay said that Mrs R had done this a number of times before, and it sent us evidence of earlier payment reversals.

NewDay said it had explained to Mrs R that she would need to change her payment reference. NewDay asked Mrs R to contact her bank to see if the money she'd sent had been paid back to her.

NewDay also said that it had correctly charged interest on Mrs R's account at the start of June, because she hadn't paid the full balance then, she'd only paid the minimum payment. It said it had made refunds of interest in a similar situation before, but it wouldn't do that now. NewDay didn't think it had done anything wrong.

NewDay also said that Mrs R's direct debit wasn't set to pay £50, as she'd claimed, it was set to pay the minimum payment for her card. It showed us a screenshot of the direct debit which was set up on her account.

Mrs R then wrote to us again to say NewDay was now saying her account was over £400 in credit. NewDay agreed to pay the credit on Mrs R's card account back to Mrs R but Mrs R said she hadn't received that.

Our investigator didn't uphold this complaint. She said that the large payments that Mrs R had sent to NewDay had both been returned, so she didn't think that money was still missing. And NewDay had agreed to put the credit amount on Mrs R's card into her bank account very soon. Our investigator didn't think NewDay needed to do any more than that.

Mrs R said that the payment of £1,000 hadn't been sent back to her bank, it had actually been put into her NewDay account. And she said that neither NewDay or the store would pay her this money back. So her only choice was to spend it. She said that her spending had brought that £1,000 down to the current level of around £250 credit. She didn't think that our response had given her complaint the credibility it deserved.

Our investigator said she now understood from Mrs R that the money wasn't returned to her bank, as NewDay had said, but paid into her store card account. But either way, the money wasn't missing. And our investigator said that the problem was that NewDay wouldn't accept a payment which just used the store name as a reference.

Mrs R said that we hadn't understood her complaint. She said that she was still paying the store. And she was using the details on the back of the card. She said that those were the only details she had.

Mrs R also said she hadn't cancelled her direct debit. The only difference when NewDay took over the card was that its name was on the top of the statements. She said that the payments she had made had sat in her store account, and at the same time she was accruing interest on her NewDay account. Those payments should've been paid to NewDay.

Mrs R said that this had all gone wrong, because when NewDay took over her store card, it didn't tell her that she had to change the payment details she was using. That's why the money was sitting in a different account, which she couldn't touch, while her card was being charged interest. She said that she wanted compensation from NewDay for this, and she was angry that we hadn't understood her explanations.

Mrs R also said that her store card was no longer in credit, but that money wasn't in her bank account. She wanted to know where it had gone. And she said that once she received it, she was just going to close the store card account. Mrs R then wrote to us again, to say that she had now received the money in her bank account.

Because Mrs R didn't agree with our investigator, the case was passed to me for a 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've reached the same overall conclusion on this complaint as our investigator, and for broadly the same reasons.

Mrs R receives a regular statement from NewDay. On the second-last page of that statement (usually page 5 of 6) there is a section titled "*How to make a payment*".

If Mrs R rings her bank, and asks it to make a payment, then the bank doesn't use the direct debit details that it holds for this card. She has to provide the right details to the bank. So that section of Mrs R's statement explains that if Mrs R wants to make a manual payment by transferring money herself from her bank then she will need to use the bank account and

sort code details provided. It also says *"Please ensure you quote your account reference shown above as the payment reference."* That's a sixteen digit number. Mrs R's account reference ends with "5368".

Mrs R has told us she has two accounts, one with the name of the store, and one for NewDay. She said that she was using the details on her card, and this meant money was paid into her store account. She said then it would just sit there, where she couldn't touch it. It should've been moved into her NewDay account. But she said that NewDay and the store just weren't joined up.

I know that Mrs R has been very frustrated, because she says we haven't understood what she is saying about the problems she's facing. But my understanding of how payments to a credit or a store card would work is different to Mrs R. I'd like to set out my understanding of how those payments work.

Mrs R referred to money she has paid sitting in her store account. But the bank account and sort code provided on Mrs R's statements for payments are the same for all the store card accounts NewDay manages. The account she is sending money to isn't Mrs R's store account. It's one shared account, just for payments in. Everybody who has this store card pays into that same bank account.

Of course, that means an awful lot of payments are arriving into the same account. NewDay relies on the payment reference attached to each of those payments, to tell which store card account it needs to send each payment to.

That's not just something which NewDay does. This is the usual approach for payments to store cards and for credit cards.

NewDay has told us that Mrs R hasn't been quoting the right payment reference. So NewDay doesn't know, when a payment from her arrives, which card account to send the money to.

If the right reference isn't used, NewDay can try to find out where the money has come from, and send it to the right store card. But that's a slow and time-consuming process. NewDay has done that in the past for Mrs R. But recently, it's also sent some of her payments back. NewDay said that it had explained to Mrs R a number of times that she would need to change the payment reference she was using. Mrs R doesn't seem to have done that.

I don't think NewDay has done anything wrong. If it receives a payment without a store card account number as the reference, then it will try to find out whose card it needs to pay, or send the money back. If it doesn't make the payment onto the card, then I don't think that's its fault. It's because of the missing reference.

So if someone makes a payment like this, and the money doesn't reach their card, I think that NewDay can then charge interest on the card. I don't think that's a mistake.

I know that Mrs R says that NewDay has taken a long time to sort out her payments, and either put the money onto her card account or pay it back to her. But I also think that it's likely to take some time, in these circumstances, for the money either to reach the store card account, or to be paid back to the customer's bank account. Again, I think this is because of the missing reference. I don't think that NewDay is primarily responsible for that.

Mrs R said that NewDay had changed the payment arrangements when it took over from the previous operator of this store card, and it hadn't told her. NewDay started to operate this card in early 2014. So I don't think I can decide that it's more likely than not that Mrs R's recent problems are related to that change. But even if they were, I don't think it would be right to say that NewDay hasn't told Mrs R how to make a payment. I've mentioned where on her statements Mrs R can find the payment details for her card account.

Mrs R also said that NewDay had changed her direct debit. She said it was previously set up to take £50 per month. But I've seen the internal screens from NewDay's system, where the direct debit was set up. It has been set to take the minimum payment since January 2017. I've not seen anything to suggest to me that NewDay made this change without Mrs R's agreement.

Mrs R said that NewDay hadn't paid some of the money back to her bank account, it had put it onto her card account instead. She'd spent some of that money, but she wanted the rest to be paid back to her. I understand that this took longer than NewDay had suggested, but Mrs R has now confirmed that she has received that payment back. I think that NewDay is doing something that is outside of what it would normally do, as part of the day to day management of Mrs R's card. So, although it's disappointing that it took NewDay longer than it said to do that, I don't think that NewDay has to pay compensation to Mrs R just because of this.

I know that Mrs R will be disappointed, but I don't think that her complaint against NewDay should be upheld.

my final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs R to accept or reject my decision before 8 April 2019.

Esther Absalom-Gough
ombudsman