

complaint

Mr R complains that NewDay Ltd recorded a default on his credit file when he entered into a payment plan.

background

Mr R opened a credit card account with NewDay in October 2014. In August 2017 he contacted NewDay and told it he was experiencing financial hardship. Following this, NewDay sent Mr R an income and expenditure form to complete and placed a hold on the account.

The hold on the account expired at the end of September 2017. NewDay hadn't received a completed income and expenditure form. It contacted Mr R to let him know there were arrears on his account. It also sent him another income and expenditure form.

In January 2018 NewDay received Mr R's completed income and expenditure form. Based on the information provided in the form NewDay set up a zero pound payment plan.

Mr R is unhappy that a default has been registered on his credit file. He says he wasn't aware that he'd been put on a zero pound payment plan or that his account would be defaulted. To resolve his complaint he wants NewDay to remove the default.

Our investigator didn't uphold the complaint and said the information provided by Mr R showed that he had no income and that NewDay hadn't done anything wrong in setting up a zero pound payment plan. The investigator was satisfied that NewDay had made Mr R aware that the payment plan would show on his credit file and that a default might be recorded.

Mr R didn't agree so I've been asked to make 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.

Mr R has said he wasn't aware he was on a payment plan nor was he aware of the consequences of being on the plan.

I've looked at the system notes relating to the telephone call dated 5 January 2018, during which the payment plan was discussed with Mr R. These show that Mr R was told that under his payment plan his account would continue to accrue arrears. These also show that that a hardship plan script was read out to Mr R explaining that the monthly payment on a zero pound payment plan was lower than the minimum payment required under the agreement.

I've looked at the script which was read out to Mr R and I can see that there is a part which says that the payment plan will show on his credit file and that his account might be defaulted.

I think it's likely that NewDay discussed the payment plan and its implications with Mr R and read out the hardship script to him. Because of this, I'm satisfied that Mr R was aware that

he had been put on a payment plan and that he was aware that his account might be defaulted.

I can see that Mr R made payments to the account after he was put on the zero pound payment plan. I don't doubt that Mr R paid what he could – but these payments weren't enough to meet the minimum payment on the account which (but for the zero pound payment plan) were required. Because of this, arrears continued to accrue on the account.

Mr R says he didn't realise that his account would be defaulted. I've already said I'm satisfied that Mr R was given information about this during the call dated 5 January 2018. In addition, I can see that NewDay sent a notice of default to Mr R on 30 October 2017. This notice should have served as a warning to Mr R that there were arrears on the account and that his account might be defaulted. NewDay sent a further letter to Mr R on 16 March 2018 telling him it was going to proceed with the default notice. I appreciate that Mr R may not have received these letters because he had moved. However, it's up to Mr R to keep NewDay updated with any change of address.

Mr R says he wasn't told his account would be defaulted if he didn't repay the arrears in 180 days. I can't see that NewDay provided this information. That said, I don't think Mr R would have been in a position to pay the arrears in any event, because he had no income.

NewDay are allowed to register a default once a customer is at least 3 months behind with payments. And it would be expected to register a default where a customer is 6 months behind. I can see that Mr R's account was more than 6 months in arrears when the default was registered. Because of this, I'm unable to say that NewDay has done anything wrong in registering a default.

I appreciate this has been a difficult time for Mr R. However, having taken all of the available information into account, I'm satisfied that NewDay hasn't done anything wrong or treated Mr R unfairly here. So I won't be asking NewDay to remove the default.

my final decision

My final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 9 August 2019.

Emma Davy
ombudsman